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NOVEMBER, 1942



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SAINT LOUIS, MO.

The CREDIT WORLD

L. S. CROWDER
EDITOR



ARTHUR H. HERT
ASSOCIATE EDITOR

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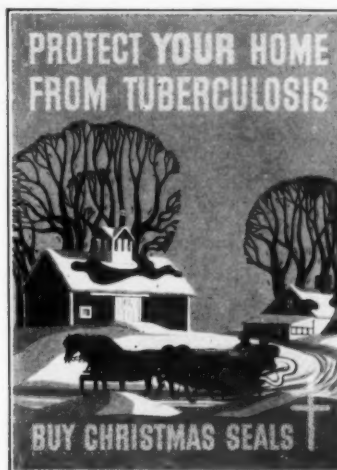
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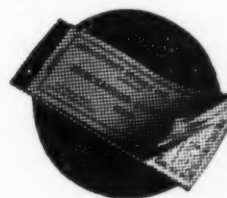
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What Do Your Customers Know About



Regulation W?

Harold A. Wallace

General Manager, Credit Bureau of Will County
Joliet, Illinois

DO YOU THINK that very many of your credit customers understand at least the principal points about REGULATION W? I doubt that they do because our trading territory composed of average urban, suburban and rural families proved they did not—and Joliet and Will County, Illinois, is a representative cosmopolitan territory.

Americans generally speaking are prone to follow the lines of least resistance. That has been proved for ages both in a military way and economically. We don't believe things can happen or are happening until we are rudely awakened. There is hardly an individual that needs to have the Pearl Harbor incident recalled to memory to prove that generally speaking we Americans are apathetic until aroused.

There are those that argue that it is better to be slow and not become excited or exercised over something until it happens. There are other schools of thought that indicate that we should be prepared; that we should face the facts; that we should find out the underlying causes of things that affect us and try to meet them more intelligently.

Reactions to Regulation W

Shortly after REGULATION W was enacted from all over the country came various comments: "It's an excellent idea; we should have had it before; it will hurt business; it won't hurt business; it will help collections, etc." Then when the May, 1942, regulation amendment covering charge accounts became effective due to an upswing in business (no doubt created because of the tremendous production of war materials in war plants), increased payrolls, etc., many retailers were lulled into a false sense of "business as usual." They didn't feel its effect until some time later.

In the opinion of any credit bureau manager, the Bureau is the best "barometer" to indicate how business is being transacted. In June, 1942, we immediately began to notice that calls for credit reports began to diminish. How much of this was due to people who were buying for cash instead of using their credit privileges? How much of it was due to priorities? How much was due to a lack of understanding of REGULATION W? Some

firms indicated that while there was a definite change in their percentage of business done on an accounts receivable basis yet their total volume wasn't affected. In fact, some stated there had been a slight increase.

REGULATION W, we all know, was enacted to help prevent inflation, to dampen consumer demand of durable and semi-durable goods, to aid the payment of debts and the purchase of War Bonds. We have been told quite frankly that the Board of Governors of the Federal Reserve System desires to cut in half by April, 1943, the approximate nine billion dollars of consumer accounts receivable due retailers as of May, 1942. However, the Regulation specifically makes provision that while this reduction is necessary, credit extension is not to be eliminated entirely but its use restricted both on installment and 30-day charge basis.

Effects of the Regulation

Because of numerous comments received from merchants regarding customers' attitudes we made extensive "spot checks" which indicated a startling lack of understanding on the part of the buying public regarding how REGULATION W affected their charge privileges. For instance: Customers of various stores for years' standing became very angry at merchants for what they said was "questioning their good name and credit when they had always paid their bills with reasonable promptness"; others reported that customers paid up their accounts on July 10 and asked to have their accounts closed, indignantly stating that it was a personal affront to stop "their charge account privileges." They would not listen to the credit granter's attempt to explain that this is a government regulation of credit that had been placed upon retailers and customers alike.

Still other credit granter's reported that their customers refused to make payments on accounts because they said they could not pay the accounts in full by the dead line. Therefore, they would not make part payments. Other customers said that merchants were trying to "force something down their throats" and that this was "just something to benefit the businessman and to hurt the poor consumer." Others frankly said they

understood that there was to be no more credit for individuals!

But add to these the wrong impressions the buying public receives when laymen talk among themselves; then the misuse of REGULATION W that is made by some retailers that are under the Regulation and those that are not. Is it any wonder then that in a substantial percentage of cases retailers found belligerent customers when they discussed the automatic shut-off of their credit privileges at their respective store?

But what percentage of people did not understand the Regulation? This question could only be answered after securing some definite facts. So we decided to make a house-to-house survey to determine the average family's understanding of REGULATION W. A representative group of credit managers checked the survey made in Philadelphia, with 143 completed interviews. They were of the opinion that such a survey did not represent a cross section of families. So on July 17, 1942, through the cooperation of the *Joliet Herald News* and 6 employees of the Credit Bureau of Will County, we sent a questionnaire to 1250 families from which we received 1167 replies.

According to reliable statistics, there are approximately 29,000 families in Will County, so we believe that the 1167 answers, because we personally supervised the surveys being made in 7 different communities in the County, represent an accurate summary of what Will County families knew about REGULATION W at that time. Here are some of the facts: We found that 83.26% is an average of questions incorrectly answered. While 471 of the 1167 said that they were familiar with the Regulation on the opening question, when other questions were asked, this number was reduced to only 16.47%, an average of all questions answered correctly. Complete recapitulation with questions and answers is shown below:

1. Are you familiar with the new government regulations concerning loans and charge accounts?

471 individuals or 40.36% said YES.
696 individuals or 59.64% said NO.
1167 Total

While 471 of 1167 said they were familiar with Regulation W, subsequent questions brought out the fact that they only *thought* they were familiar with the Regulation because of an average of all questions asked only 16.74% were answered correctly.

2. If a customer has made a credit purchase in May, but the bill is unpaid, when must it be paid under the new regulations?

206 individuals or 17.65% answered correctly.
464 individuals or 39.76% answered incorrectly.
497 individuals or 42.59% did not know.
1167 Total

Therefore, those who gave dates other than July 10, plus those that did not

know, totalled 961 or 82.35% who are *not* familiar at all with the first dead-line date.

3. What happens if the bill is not paid by that date?

143 individuals or 12.25% gave the right answer.
1024 individuals or 87.75% either answered wrong or did not know.

1167 Total

Here are some of the *other* answers:

15—said goes back to store or repossessed.
8—said cancel all credit.
7—said goes into collection.
5—said placed in Credit Bureau.
4—said interest is added.
3—said turned over to some concern.
3—said your credit is null.
2—said all unpaid bills sent to Washington, D. C.
2—said get sued.
2—said penalty attached.

This high percentage of people who are unfamiliar with this question means a high percentage of possible inactive accounts as well as collection problem cases.

4. If not paid by that date, can you, under the new rulings, make further purchases on account?

54 individuals or 4.63% answered correctly.
537 individuals or 46.01% answered wrong.
576 individuals or 49.36% did not know.

1167 Total

5. Suppose it is impossible to make any payment on account by that date, what, if any, arrangements can be made?

159 individuals or 13.62% gave the right answer.
190 individuals or 16.28% gave the wrong answer.
818 individuals or 70.10% did not know.

1167 Total

REGULATION W definitely states how defaulted charge accounts can be cured, yet 86.38% or 1008 of the 1167 did not have the correct knowledge of this section of REGULATION W. This may drive many customers to other sources of buying as well as create collection problems. They may be inclined to pyramid accounts by going to other places for credit.

6. Can merchandise still be purchased on the instalment plan?

542 individuals or 46.44% answered YES.
59 individuals or 5.06% answered NO.
566 individuals or 48.50% did not know.
1167 Total

This indicates that instalment sales may be curtailed more drastically than required under REGULATION W because of the lack of understanding by the large percentage of those interviewed.

7. If answer is "Yes," how much is the down payment on a \$100.00 purchase of general merchandise?-----Building Material?-----Furniture?-----

(A) 260 individuals or 22.28% gave the right answer.
907 individuals or 77.72% gave the wrong answer or did not know.

1167 Total

(B) 4 individuals only or 0.34% gave the right answer.

1163 individuals or 99.66% did not know.
1167 Total

(C) 94 individuals or 8.05% gave the right answer.

1073 individuals or 91.95% gave the wrong answer or did not know.

1167 Total



THANKSGIVING

ON THANKSGIVING day this year there are many things for which we should be thankful. Won't you pause with us a second to give thanks

- ... That we are Americans.
- ... That we live in a free country of religion and speech.
- ... That we—American citizens—have pledged to support our country physically as well as mentally.
- ... That we have plenty to eat, a comfortable place to sleep, and a home to share with friends.

For these and other things we give thanks on Thanksgiving Day.

To retain these things let's all buy bonds and stamps for victory.

Particular attention is called to these answers as it affects the different types of business. Lumber dealers, building material dealers, etc., should be interested in this information—so should furniture dealers.

8. Do you know why the Government has made rules covering loans and charge accounts and instalment buying?

497 individuals or 42.59% answered Yes.
670 individuals or 57.41% answered No.
1167 Total

While the survey showed that 57.41% of those that answered the question did not know why the Government promulgated REGULATION W, you will note when they are asked to explain why the Regulation was enacted that the percentage of right answers is considerably less or only 25.37%.

9. If answer is "Yes," why were the rules made?

296 individuals or 25.37% gave the right answer.
90 individuals or 7.71% gave the wrong answer.
781 individuals or 66.92% did not know.
1167 Total

Other answers:

- 34—said to help merchant or businessman.
- 17—said War production.
- 11—said to permit buying War Bonds.
- 5—said to help the government during the war.
- 4—said to control market.
- 3—said to keep prices down.
- 3—said to avoid depression.
- 3—said to keep money circulating.
- 3—said curtail purchasing.
- 1—said for better government.

1—said to keep people from knowing inflation is already here.

1—said to speed up credit turnover.

1—said shortages.

1—said for less confusion.

1—said Washington.

10. At which of the following do you have credit accounts?

852 persons of the 1167 who answered the questionnaire voluntarily reported they had charge accounts with from 1 up to 33 of the representative firms listed or 73.01%.

What did we do about the situation? With this survey as a factual basis, the retailers, banks, etc., decided upon a 6 months' educational newspaper campaign with ads being run every week acquainting the general public with their rights, privileges, obligations and limitations under REGULATION W. Retailers spend millions of dollars annually through all types of advertising using every known appeal to aid the sale of their merchandise or services. Business has found that it pays good dividends in good will and customer appeal to have the public familiar with what it has to offer.

Educating Customers Regarding Regulation W



However, over a period of years too many communities have been inclined to overlook the value of educational prompt-pay advertising to acquaint the public with their credit privileges and obligations under the credit system of selling. Therefore, is it any wonder that considerable confusion was created when thousands of retailers throughout the country in both diplomatic and undiplomatic ways started to advise their customers orally and with inserts what they could or couldn't do under REGULATION W?

Years of good will has been virtually tossed out the window because not only were customers not familiar with REGULATION W but many of the salespersons were also not familiar with its provisions. With this definite lack of understanding established, the amount of business that has been lost to each firm because of the customers' lack of understanding of REGULATION W cannot be estimated.

Official Approval of Consumer Education

There may be some who will say that an educational program is contrary to the spirit of the Regulation. In a letter from the Honorable Vice-Chairman of the Board of Governors, Ronald Ransom, on September 9, 1942, he said: "We are glad to receive information concerning what consumers know about REGULATION W, and I shall want to have your report studied by our staff. I cannot emphasize too strongly our desire that consumers should know what Regulation W is and why it was adopted. Your efforts in explaining the program will be much appreciated."

Only with the consumer public properly informed can retailers, banks and other business firms cooperate wholeheartedly with the Board of Governors in making effective the proper functioning of REGULATION W. It is the responsibility that each retailer owes to his customers, to his community, and that each community should contribute to our united war effort.

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NATIONAL ASSOCIATION

OF CREDIT MEN

ONE PARK AVE. NEW YORK CITY

Can Accounts Be Frozen and Cured Without Adding to Overhead?

L. Ray Schuessler, C.P.A.

L. Ray Schuessler and Company
Saint Louis, Missouri

Part II

(Continued from October issue.)

Mr. F: I am glad you asked that question. We prepare, in duplicate, a current month's statement for each customer, but we do not post cash remittances to the statement, our only posting of cash (made daily) being to the customer's "Master Ledger Sheet." If we fail to post cash on any day, we still send out the "Unit-balance" card immediately, because the "Unit-balance" card is sent out when the remittance slip is placed in front of the "Master Ledger Sheet," and not when the remittance is posted to the "Master Ledger Sheet." We do not post sales to our "Master Ledger Sheet" at all, except (as an historical record) after the month has closed. Also we do not make daily postings to customers' statements, but we arrange the posting of the current month in a way that avoids peak loads as much as possible. In view of the fact that we post cash only to the "Master Ledger Sheet" and carry over unpaid balances of a prior month (at the end of each month) to the current month's statements, in order to complete the current month's statements, our "Master Ledger Sheets" are always available for reference for authorization purposes. You can readily see, if our "Master Ledger Sheets" are properly indexed, it is not difficult to turn to a ledger sheet and determine if an account has been frozen, the "Unit-balance" card in front of the "Master Ledger Sheet" making it but a second's job to determine the status of the account. Our "Master Ledger Sheets" are specially ruled into three sections; one section being for the historical recording of pertinent data relative to installment sales; another section being ruled to reflect the totals of charge purchases by months, and also cash remittances; and a third section being provided to record and accumulate each month's purchases, as said purchases are made by telephone and mail, and at times when the customer has forgotten to bring with him his "Unit-balance" card. The third section, referred to as a "Supplemental Ledger Section," is based on the same principles as the "Unit-balance" card. Whenever the balance in the "Supplemental Ledger Section" indicates the necessity of so doing, we request the customer to bring in his "Unit-balance" card, so that the total account balance (expressed in units) can be brought up to date by reflecting on the "Unit-balance" card the total of purchases made in the current month to date of entry. In fixing credit limits, etc., we of course fix the limits at the amount coded on the "Unit-balance" card, plus the amount coded in the "Supplemental Ledger Section" of

the "Master Ledger Sheet," the number of purchases and the size of each individual purchase to be authorized from the "Supplemental Ledger Section" to be limited in any way desired. By this method we extend every convenience to a customer, without taking any chances that we do not desire to take.

Question by Mr. C

Mr. C: Do you mean to tell us, Mr. F, that you authorize direct from your "Master Ledger Sheets," and that you make only one posting of cash and one posting of charge purchases?

Mr. F: You are quite right, Mr. C. It is very little effort to post cash remittances to "Master Ledger Sheets," and the work can be done at times when it does not interfere with authorization work. You will remember, of course, that we cure an account even before we post the cash remittance.

Mr. D: But Mr. F, how do you post your current month's statements?

Mr. F: At no time throughout the month are we required to have our posting up to date, so we have worked out a plan that keeps our force busy all through the month and avoids any undue amount of work at any period of the month, except at statement time. The total month's purchases of each customer are posted to the "Master Ledger Sheets" at our convenience, after the close of the month, because the current month's purchases can in no way affect either the freezing of an account, or the extension of credit. Actually, we can probably authorize from our "Master Ledger Sheets" just as fast as anyone can authorize from an authorization file, and I know you will agree with me when I say that, with the complete history of an account in front of a credit man when an authorization is made, it is possible to more accurately and intelligently pass on credits.

Mr. C: Mr. F, do I understand you to say that Regulation W has caused you to incur no additional expense?

Mr. F: You are quite right, Mr. C. Regulation W is the finest thing that ever happened to us. We service our customers faster and more intelligently than ever before; we stay closer in touch with the credit situation, as it applies to each customer; we have gained ground, rather than lost ground, because we are no longer compelled to post charges every day, and our authorizations have been reduced to an absolute minimum; all because Regulation W forced us to assume a large additional overhead burden, or change our methods. We changed our methods.

Mr. D: When you cure an account by placing the customer on an installment basis, do you make any record of the installment account on your "Master Ledger Sheets"?

Mr. F: I am glad you mentioned that. Our "Master Ledger Sheet" is specially ruled, it being a copyrighted sheet that serves as a master index to every pertinent fact relating to transactions between the store and the customer. I can glance at a customer's master ledger sheet and find a record of what he purchased each month, and how he made his payment; and a record of purchases on the installment plan, if any; and also whether or not he carries his "Unit-balance" card, orders by mail or telephone. With such information available, it is an easy matter to properly control credit.

Tub Files of Mr. G

Mr. G: We handle our accounts in almost identically the same manner as Mr. F, except that we keep our "Master Ledger Cards" in tub files, instead of in binders, and we use a separate "Unit-balance" card, instead of printing the card as a part of our statement. By keeping our "Master Ledger Cards" in tub files, we are in a position to separate the frozen accounts from the current accounts, merely by creating a separate file as at the close of business on the tenth of each month. We file the "Unit-balance" card in front of the corresponding "Master Ledger Card" in the frozen account file, and when the account has been cured we send out the "Unit-balance" card and replace the "Master Ledger Card" in the current file. In this way we always have in front of our credit men a complete file of frozen accounts, and if an account is frozen for more than 30 days, we are in a position, automatically, to turn it over to our collection department. With the "Unit-balance" card in front of the "Master Ledger Card," in a separate file, it is no trick at all to refile the ledger card in the current file and mail out the "Unit-balance" card. Except for the differences mentioned, we handle our records in just about the same way as Mr. F handles his. I might say that our "Master Ledger Cards" are also specially designed for quick reference, and that they are so accessible in the file that it is my opinion we can find them as fast or faster than a reference can be looked up by any other known method. We are, however, compelled to keep a street address file, and we use a copyrighted 3 by 5 card, specially designed.

Mr. H Expounds His Set-Up

Mr. H: There is really very little difference between our methods, and the methods of Messrs. F and G, but I believe you will be interested in the procedure we have adopted. Before illustrating further, let me point out that a customer's "Unit-balance Credit Ledger Card" can be printed separately or as a part of the customer's statement, and that we prefer to print it as a part of the statement, because not only have we found it less expensive, but we have also found it a very easy matter to insert ordinary statement paper into an inexpensive container that can be conveniently handled and carried. Our "Unit-balance" card is, therefore, printed as a part of a perforated stub that runs across the top of the

original of the customer's statement, the duplicate copy part of the statement being wider than the statement part, as it is punched and kept in a ring binder. When our statements are finished, we separate the original part from the duplicate part at the perforation on the right side, if the statement shows no balance from a prior month; but if a statement shows a balance from a prior month, we leave the "Unit-balance" card stub attached to the duplicate copy by detaching the stub from the body proper of the statement, said stub being perforated, and then detaching the original from the duplicate at the perforation at the right fold. This procedure withholds the credit cards that are not yet ready to be sent out. The statements are all mailed out, some with a credit card, and some without. We clip off the corner of each statement that reflects a prior month's balance or, I should say, we clip off a corner of the remittance stub section of the statement. Any other method of marking the stub for identification would be just as good, the point being that when a marked stub is returned with a remittance, we can immediately spot it. I believe you will be interested in the fact that our sales manager insists that we do not close a charge account, unless authorized to do so by the executive in charge of sales. The reason for this is obvious. The cost of securing a new account is, ordinarily, prohibitive, unless repeat business is received, and we do not close an account without attempting to find out just why the customer discontinued his purchases. In line with this policy, statements that show no purchases for the current month are forwarded to the customer, with his "Unit-balance" card attached, and also with a personal letter from the sales manager. The "Unit-balance" card lends itself readily to such a procedure. The stubs withheld are filed in a "frozen accounts" file, each bookkeeper keeping on her desk the section of the "frozen accounts" file that corresponds to the ledgers kept by her. On the night of the tenth, the "Master Ledger Card" is separated from the regular file and placed in a separate file, if the corresponding "Unit-balance" card stub is still on hand. Inasmuch as we use a copyrighted two-section statement, each remittance stub is stuffed in the statement binder for posting, and as it is stuffed, if the remittance cures the account, the "Unit-balance" card stub is initialed by the bookkeeper to be immediately turned over or sent to the customer, even as late as the ninth of the following month. If the "Master Ledger Card" had been removed to a separate file, it is, of course, replaced in the current file before the "Unit-balance" card is sent out. In a two-section statement, the balance brought forward is analyzed (memo. form) as to months, and all credits are applied against the old balance brought forward, thus arriving at the unpaid portion of the prior month's balance, if any. Let me stress the fact that our statements always show separately any balance due from a prior month, and that no analysis is required to determine if an account should or should not be frozen. If there is a balance from a prior month, it is picked up at the end of the month and added to the balance for the current month, in order to arrive at the total balance at the end of the month. The current month's transactions are entered in the lower section of the statement, thus also making it a very easy matter to compute the sales tax and add it to the net current month's balance. By

keeping our statements in this form, we secure our historical data by merely posting to the "Master Ledger Card" the total purchases for each month and the balance at the end of each month. Our "Master Ledger Card" is of course the copyrighted form that contains a complete index to all transactions with the customer, including a "Supplemental Ledger Section" for recording purchases made without presentation of the "Unit-balance" card, or by mail or telephone. We post our cash credits daily, but we spread the posting of the current month's charges as advantageously as possible. Even large sales, as many as we want to run, cannot possibly put peak loads on our posting bookkeepers. It is of particular interest to note that our collection men need never refer to any account to determine if it is delinquent, because every account that is still frozen after 30 days is automatically referred to them. The cards in the frozen file are accorded the routine treatment prescribed by the credit department.

Further Remarks

Mr. B: Do you think, Mr. H, that our customers would carry "Unit-balance" cards?

Mr. H: A majority of any group of customers will carry a "Unit-balance" card right from the start, thereby immediately and materially reducing the number of authorizations and the amount of authorization expense, and there is every reason to believe that almost everyone will eventually carry the card at all times. Every American for example dislikes to be inconvenienced; and he will be inconvenienced every time he tries to charge an item unless, of course, he presents his "Unit-balance" card.

Mr. I: It has indeed been a pleasure to listen to you gentlemen, and if time permitted, I would tell you how we use a "Unit-balance" card that was especially designed to be used when accounts are cycled. I will close by saying that I hope we will again get together soon, as I believe you will be interested in the advantages of cycling. Accounts can be cycled and Regulation W can be complied with very easily, in fact, in my opinion, with no lost motion.

* * * *

In the foregoing suppositional discussion, the subject has been presented in a manner intended constructively to criticize methods now in use and to review the means available for solving the reader's particular problems. If this has not been accomplished, the writer will be glad to receive and answer questions relative to any phases of the situation, either as to fundamentals, optional uses, or controversial points. Details as to forms, etc., referred to in this article, can be secured by contacting the office of the National Retail Credit Association.

Authorization

The authorization files of department stores, without exception, are entirely dependent on the bookkeeping records for signals to stop or restrict credit. The authorization files, as a unit, are never closed; and the bookkeeping records are closed only on a definite day each month in order to make up statements. Approximately five days have always proved sufficient to complete and mail statements; and to head up the new statements and get adjusted for the month to come has required several more days.

It follows logically, therefore, that large retailers require about 10 days after the close of their statement month to get themselves adjusted and that the ten days allowed by Regulation W are entirely adequate, provided they handle their records correctly.

It also follows logically that the freezing and curing of accounts will add materially to the expense burden of any store, unless:

1. The authorization records are so complete in themselves that they are entirely independent of the bookkeeping records; and,

For authorization records to be completely independent of the bookkeeping records, it is necessary to:

Use an ordinary credit card for each and every authorization and take a chance on the fact that a customer will not abuse his credit privileges (See Store D); or, Predetermine a maximum credit that each customer is to have during the month immediately following, said predetermined credit authorization to be reflected on:

A "Unit-balance Card" which will show the amount which the customer is privileged to buy, if he presents the "Unit-balance Card," said "amount" being reduced as each charge purchase is made; and,

On a "Supplemental Ledger Section," printed as a part of the customer's "Master Ledger Card," which will show the maximum "amount" that the customer is entitled to purchase by mail or telephone or when he does not have in his possession the "Unit-balance Card," said "amount" being reduced as each purchase is authorized from the "Supplemental Ledger Section."

In other words, by permitting a customer to charge purchases to the extent of the total of the credit authorized by a "Unit-balance Card" and the correlated "Supplemental Ledger Section," the amount that any customer can purchase on credit is entirely under control of the credit department, because the credit department at the beginning of each month predetermines the "amount" of credit to be extended, and said "amount" continuously diminishes (as charge purchases made by the customer correspondingly accumulate) until it (the "amount") is entirely used up or the credit period has expired.

Because of the diminishing "amount" balance, it is never necessary to rely on the bookkeeping records to restrict or stop credit; and bookkeeping records can therefore be written up in the most efficient and economical manner.

If for any unforeseen reason it is desirable during the month to stop the credit authorized by a "Unit-balance Card" and its correlated "Supplemental Ledger Section," it is a simple matter to place a stop order in each bundle wrapper's cage.

2. The bookkeeping records are kept as efficiently as possible, solely as bookkeeping records, and not on a day-to-day basis as an integral part of the authorization files; and,
3. The authorization records are kept on a monthly basis, running from the opening of business on the morning of the 11th of the month to the close of business on the 10th of the following month; while,
4. The bookkeeping records (of which customers' statements are a part) are kept on a calendar month basis.

Each illustration in the article is intended to review the problems of a different store, the idea being to cover briefly every basic situation to show that:

It is easily possible for any store to freeze and cure all accounts (without any waiting period after the 10th of the month and regardless of the size of the account balance); and,

It is also easily possible to make changes that will effect savings, due to the fact that customers cannot seriously object or competitors undermine, when Regulation W prescribes what can and cannot be done.

A brief explanation of each illustration follows:

Store A

Store "A" is a type store that sends out about one statement for every three accounts carried in the current

(Turn to "Accounts Frozen," page 30.)

Why the Kefauver Bill Is Necessary

★ ————— ★

OUR LEGISLATIVE COMMITTEE explains the provisions of the Kefauver Bill, H.R. 7213 and the reasons why its enactment seems necessary. This bill, if passed, will permit the garnishment of salaries of Federal employees in those states where the laws permit the garnishment of state, municipal or county employees.

★ ————— ★

EQUALITY BEFORE THE LAW is the rock upon which our government rests. In the matter of garnishment of salaries of government clerks for debts, that equality does not exist. H. R. 7213, introduced by Rep. Estes Kefauver, of Chattanooga, Tennessee, June 9, 1942, now pending before the Judiciary Committee of the House of Representatives, seeks to remove that inequality by permitting garnishment of the salaries of Federal employees in those states where state laws permit the garnishment of state, municipal or county employees. While the provisions of the following bill speak for themselves, an explanation of the reasons for its enactment seems necessary. This folder is intended to supply the answer in brief form.

In a message to Congress, April 24, 1939, President Roosevelt said: "Fundamentally our tax laws are intended to apply to all citizens equally." Paraphrasing that statement it could be said with equal force: "Fundamentally our garnishment laws should apply to all citizens equally." Thereafter the Congress enacted legislation doing away with the immunity which had previously existed as to state employees from Federal income taxation.

In *FHA vs. Burr* (309 U. S. 242), Justice Douglas in emphasizing this trend said that governmental policy permitting suits against government-owned corporations "is in line with current disfavor of the doctrine of governmental immunity from suit, as evidenced by the increasing tendency of Congress to waive the immunity where Federal governmental corporations are concerned." The Supreme Court in this case held that the salaries of employees of Federal-owned corporations, where the corporation possesses the power to sue and may be sued, are subject to garnishment. Garnishment is a suit against the Federal government but the courts have repeatedly held that the Congress may provide by appropriate legislation for suits against the Federal government and may accompany such legislation with conditions. H. R. 7213 permits such suits under certain specified conditions.

The trend in favor of removing inequality is likewise apparent from recent state legislation permitting garnishment of their own state, county and municipal employees, including schoolteachers. Through efforts of retail credit executives, the State of Louisiana, in July, 1942, passed a law of this description. Since some states do not permit garnishment of state, city or county employees, passage by Congress of this measure will not completely solve this problem but, on the other hand, if H. R. 7213 should be enacted into law it should provide the incentive for state legislatures to follow the example of the Federal government.

Certainly abundant evidence exists to show the necessity for such legislation by both the Federal government and those states which do not as yet possess a statute of this nature. It may be true that the majority of Federal employees honor their obligations, but recent surveys of the National Retail Credit Association with responses from retail credit executives, retail grocers, doctors, dentists, and others, demonstrate that many Federal employees, sheltered as they are today under the umbrella of freedom from garnishment, prefer to let their indebtedness go unpaid. One such response from a leading New York department store giving a list of debtors of Federal employees is significant in that the list does not contain the name of a debtor employee of a single government-owned corporation.

This situation seems to have followed as a result of the *Burr* decision and it is, therefore, logical to assume that if H. R. 7213 becomes a law retail merchants and others will have their debts paid by government employees; and Senators, Congressmen, and executives of the Federal government will have the burden lightened, of answering innumerable complaints about failure of Government employees to pay their debts.

In a presidential message of January 14, 1942, President Roosevelt stressed the importance in these difficult days, of relieving the Congress and the executive branches of the Government of the burden of handling matters of relatively small importance but which, nevertheless, consume time and effort. H. R. 7213 is in line with that thought. A careful analysis of its provisions should convince readers that it seeks to do equal justice to the Federal employee, the Federal government and to those who extend credit. Nevertheless, the NRCA legislative committee will be glad to receive suggestions for improvement of a practical nature, and to answer any questions in this regard. This law may be even more badly needed after the duration than it is now. Therefore, NOW is the time to pass it.

Legislative Committee

National Retail Credit Association

Chairman, Roscoe W. Reichard, The Hecht Co., Washington, D. C.

Vice-Chairman, L. W. Hilbert, Stewart & Co., Baltimore, Md.

R. M. Severa, R. H. Macy & Co., Inc., New York City.

Edward Meier, Marshall Field & Co., Chicago, Ill.

Abe Coonin, Hahn Stores, Washington, D. C.

LeRoy Dickerson, Wilmington Furniture Co., Wilmington, Delaware.

• • • • •

R. Preston Shealey, Washington Representative, 503 Colorado Building, Washington, D. C.

(Turn to "Kefauver Bill," page 28.)

B. LOWENSTEIN & CO. OF MEMPHIS
USE THE NEW WOOD
KARDEX CUSTOMER HISTORY RECORD



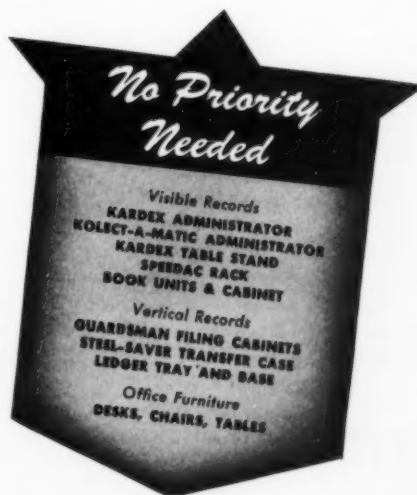
MORE THAN 100 USERS...AND NEW ONES EVERY DAY!

The proven effectiveness of the Kardex Customer History record for Regulation "W" recording, is best evidenced by the caliber of the Retail Names daily added to our lists of users. Among the retailers installing Kardex since Regulation "W" became effective are:

Bowman & Co.	Harrisburg, Pa.	Mandel Bros., Inc.	Chicago, Ill.
H. Braunstein, Inc.	Wilmington, Del.	Meyer Jonsson of Pittsburgh, Inc.	Pittsburgh, Pa.
Deweese, B. F. Inc.	Philadelphia, Pa.	Miller & Rhoads, Inc.	Richmond, Va.
Hochschild, Kohn & Co., Inc.	Baltimore, Md.	Neiman-Marcus Co.	Dallas, Tex.
Howland Dry Goods Co.	Bridgeport, Conn.	Yunker Bros., Inc.	Des Moines, Ia.

You may have a complete analysis and write-up of the Kardex Customer History Record...including sample forms, a complete list of users, and photographs of installations . . . by requesting Management Controller #547A. A phone call to the nearest Remington Rand office, or a request by mail to our Retail Store Department in Buffalo, will bring it promptly to your desk.

We have also prepared a 20-minute color film which demonstrates, in detail, the operation of the Kardex Customer History Record. Local showings can be arranged through your city's Remington Rand Systems office.



Remington Rand Inc.

RETAIL STORE DEPARTMENT BUFFALO, N. Y.

Please Mention The CREDIT WORLD When Writing to Advertisers

CREDIT DEPARTMENT LETTERS

• Aline E. Hower

SEVERAL YEARS AGO a young man who owed us a bill moved away without paying it," writes Mr. A. C. McEver, of Frierson-McEver Company, Gainesville, Georgia. "After we had written to him a number of times about the account, we received the money, with a letter, a copy of which is enclosed. We kept this for a long time, and intended keeping it as a souvenir, but lost it in some way. It was so impressed on our brain, however, that we'll never forget it. The spelling and all are just as in the original."

Here is the letter Mr. McEver so graciously shares with us:

Here is your money, and you won't be one bit gladder to git it than I am to send it.

Please don't send me no receipt, for I don't want to hear from you no more.

Say It!

"I don't seem to know how to begin this letter," said a department head to his secretary the other day. "It stumps me."

Alert, eager to help, her eyes dancing with quick understanding, she answered, "Would you tell me what it is that you find difficult to write?"

"Yes, I want to tell these people that, etc.," went on the executive with perfect ease, naturally, concisely, writing an excellent letter as he spoke!

The young lady was careful to take down in shorthand what he said, and lo, there was not only the beginning but a couple of paragraphs of a splendid letter!

"Just say it," might be an excellent rule of letter writing, even for those who do not have secretaries at hand to help out in the way illustrated. When you can relax and unmask, be yourself, you usually have taken the longest step to writing an effective, well-turned-out letter!

That retail credit executives are writing business letters in this effective, easy-to-understand style is apparent from an examination of the new volume on *Successful Credit Department Letters* which has just been published by the National Retail Credit Association. See their ad on page 27 of this CREDIT WORLD.

Naturally, it is very pleasing to notice that many of the splendid illustrations in the book are those of letters which appeared originally in this column and which represent the work of well-known letter writers. What has impressed me, too, is the thoroughness with which the new Credit Regulation has been covered. Examples of letters to fit almost every situation arising under the new rules are fully illustrated. Then the manner in which the book has been indexed is worthy of comment. In fact, no matter what type of letter is desired, it is an easy matter to find it. Those who are seeking new ideas for credit letters will find them in this new book.

This Month's Illustrations

Any letter written by Colonel Franklin Blackstone is worthy of careful study. *Illustration No. 1* is a particularly interesting example. "In these days of vital war efforts, we all wish to comply with government regulations," is a unifying statement and a splendidly strategic opening for this letter. The word "friendly" always adds to a credit or collection letter. Somehow it gives the whole letter a feeling of warmth, understanding, and a smile. The approach of the whole letter is one of reasoning plus persuasion, two perfect partners. Notice the fine print in the lower left-hand corner which says, "Member: The Credit Bureau, Inc., Retail Credit Men's Association." This print is sufficiently fine so that it could carry no possible undue hint, and yet it is there, just in case! Notice the italics in the lower right-hand corner of the letterhead. This is written in red, and offers the recipient a face-saving motive, extremely powerful in gaining his or her cooperation. All of our illustrations this month have a decidedly patriotic flavor in the sense that they use words like "Federal Credit Regulation," "Government requirements," etc.

Illustration No. 2 by Frederick & Nelson, a Division of Marshall Field & Co., at Seattle, is an attractive printed letter. In the opening, the word "temporarily" tempers the following word "withheld" and puts the responsibility where it belongs, the "Federal Credit Regulation." The succeeding two paragraphs are action impelling, clearly worded, and right to the point.

Illustration No. 3 takes a definitely stronger tone than Nos. 1 and 2. The heading sounds properly ominous, the opening quickly enlightens the recipient of the nature of the situation, the closing comes along with a very helpful suggestion. This is often excellent strategy, to lay before the customer the full situation, and then, while he is just a bit (not too much) shocked, give him an extremely helpful suggestion. He is, we assume, in the proper frame of mind to be more cooperative. Ovington's deserve a lot of credit for this original piece of work.

Illustration No. 4 by The Wm. Taylor Son & Co., Cleveland, is a very friendly letter. Notice especially the second paragraph, second sentence. It is always well to expect good and to use that type of phraseology in a letter. It is far more action impelling than other types of approach. The closing in *Illustration No. 4*, as in *Illustration No. 3*, offers a helpful suggestion.

Illustration No. 5, from The Union Company, offers a variation because it acknowledges a payment. The wording is friendly and concise, and the complimentary close is particularly inviting. In retail customer mail, "Cordially yours" seems to have a particularly fitting place.

FRANK & SEDER

OF PITTSBURGH, INC.

FIFTH AVE. SMITHFIELD AND DIAMOND STREETS

PHONE ATLANTIC 2100

PITTSBURGH, PA.

October 11, 1942

Mr. Robert L. Jones
20th and A St.
Pittsburgh, Pennsylvania

Dear Mr. Jones:

In these days of vital war efforts, we all wish to comply with government REGULATIONS and, as you know, the FEDERAL RESERVE BOARD has ruled that regular charge accounts are in "default" if NOT paid in full by the TENTH of the second month after purchase.

This letter is sent you in a friendly way, so that you may co-operate with us in observing these Regulations applying to a purchase delivered on an account in default. This Rule requires the store to ask payment or the return of the article. Naturally, we do not wish its return. In order to conform to the Regulations, we anticipate your remittance for it.

Please be assured that we appreciate your patronage.

Sincerely,
FRANK & SEDER

Frank E. Watson
Credit Supervisor

Date purchased: August 29

Article: Shoes

Is it possible that this balance includes a payment, credit, or adjustment that has not been reported to our Credit Office?

Member The CREDIT BUREAU, Inc.
Best Credit Service Available



October 8, 1942

Miss Jane Francis
2047 January Avenue
Seattle, Washington

Seattle

Balance \$21.32

A recent purchase on your account is being temporarily withheld due to the restrictions imposed on charge accounts by the Federal Credit Regulation.

Will you make it possible for us to deliver your order by sending your remittance for the above amount within five days.

Should it not be convenient for you to pay the balance in full, please call at the Credit Office, fourth floor, and we will explain the provisions made in the Regulation for financing charge accounts.

FREDERICK & NELSON
A DIVISION OF MARSHALL FIELD & CO.

3

Important! U. S. GOVERNMENT REGULATIONS NOTICE OF DEFAULT

AFTER many years of friendly business relations, we now find that in accordance with Government requirements we must ask you to excuse us from adding to your account until the balance indicated below has been paid.

If it is not convenient for you to make full settlement just now, we shall be glad to discuss with you a plan approved by the Government which would permit you to liquidate the overdue balance in monthly payments. If you take advantage of the plan, your regular account will then be available for use again.

Affected Balance \$17.85...

OVINGTON'S

The Wm. Taylor Son & Co. Cleveland

MEMBER
NATIONAL CREDIT BUREAU ASSOCIATION

MEMBER
ASSOCIATED CREDIT MANAGERS
CONFERENCE

4

August 11, 1942

Mr. Oscar Roe
Rural Route 00
Lakewood, Ohio

Dear Mr. Roe:

As you no doubt are aware, the new Federal Government credit regulation became effective May 6, 1942.

Your account as it now stands will be affected by this regulation. We naturally assume you wish to continue using your account and would like to suggest that you arrange to pay the balance of \$ 10.58 within a few days.

If for any reason you are unable to do this, please call or telephone us. Perhaps we can make some helpful suggestions.

Yours very truly,

Foster R. Close
Credit Department

FRC AC

THE UNION COMPANY Home of Quality

SPECIALIZING IN QUALITY APPAREL FOR MEN, WOMEN AND CHILDREN

S. M. LEVY
Columbus, Ohio

COLUMBUS, OHIO



5

October 12, 1942

Mr. J. J. Lane
18521 Rosedale
Columbus, Ohio

Dear Mr. Lane

We acknowledge with thanks and have placed to your credit your recent payment of \$8.00, leaving a balance of \$5.00, dating back to August 15.

In conformity with Government Regulation W, all accounts are to be paid in full by the 10th of the second month following purchase.

Won't you be good enough to send us the balance due NOW so that the continued use of your account will be assured?

Many thanks.

Cordially yours

THE UNION COMPANY

S. L. Weiskery
Dept. of Accounts

SIM 93

★ ★ ★ Regulation W ★ ★ ★

Amendments and Interpretations Since May 6, 1942

Amendments

The following amendments to Regulation W were issued by the Federal Reserve Board:

- Amendment No. 5, effective July 2, 1942;
- Amendment No. 6, effective July 27, 1942;
- Amendment No. 7, effective July 27, 1942;
- Amendment No. 8, effective August 12, 1942;
- Amendment No. 9, effective October 26, 1942.

Amendment No. 5 adds to the Miscellaneous Provisions under section 12, subsection (m) entitled "Cycle Billing." In recognition of the urgent necessity for the conservation of fuel, Amendment No. 6 removes restrictions on extensions of credit to finance the conversion of heating equipment and the installation of storm doors, storm windows, weather stripping and insulation. Amendment No. 7 removes restrictions on credit to finance repairs and replacements of real or personal property damaged or lost as a result of floods or other similar disasters. Amendment No. 8 adds two new subsections to section 8 and makes several other changes in the regulation. Amendment No. 9 is the latest change. The texts of the amendments are as follows:

Amendment No. 5 to Regulation W

Regulation W is hereby amended effective July 2, 1942, by adding the following new subsection at the end of section 12:

(m) *Cycle Billing*—The provisions of the following paragraph shall be applicable, instead of the provisions of the opening paragraph of section 5(c) to any Registrant who (1) on May 6, 1942, was using a system of recording and billing his charge accounts whereby such accounts were divided into several groups and a different monthly closing date and monthly billing period was used for each such group, and (2) has received from the Federal Reserve Bank of his district a notification which is still in force stating that the Federal Reserve Bank is satisfied (A) that such billing system makes it impracticable for him to operate under section 5(c) and (B) that it would be impracticable for him, in view of orders of the War Production Board restricting deliveries of office machinery, to change his system over to one that uses the calendar month as the billing period.

A charge account maintained by such Registrant shall be deemed to be in default if any article (whether listed or unlisted) for which credit was extended in such account has not been paid for in full on or before the 40th day following the last day of the applicable monthly billing period during which such article was sold, except as provided in the three numbered paragraphs in section 5(c).

With respect to any article sold in such a charge account, the maximum maturity shall be the period provided in the preceding paragraph instead of that provided in section 5(a).

Amendment No. 6 to Regulation W

Regulation W is hereby amended effective July 27, 1942, by adding the following new subsection at the end of section 8:

(m) *Fuel Conservation Credits*—Any extension of credit to finance (1) the conversion of heating equipment to the use of any other fuel; (2) the installation of loose-fill, blanket, or batt-type insulation, or insulating board, within existing structures; (3) the installation of storm doors, storm windows, or weather stripping; or (4) the purchase of materials for any of the above purposes.

Amendment No. 7 to Regulation W

Regulation W is hereby amended effective July 27, 1942, by striking out subsection (h) of section 8 and substituting the following:

(h) *Disaster Credits*—Any extension of credit (1) made by the Disaster Loan Corporation, or (2) to finance the repair or replacement of real or personal property damaged or lost as a result of a flood or other similar disaster which the Federal Reserve Bank of the district in which the disaster occurs finds has created an emergency affecting a substantial number of the inhabitants of the stricken area.

Amendment No. 8 to Regulation W

Regulation W is hereby amended in the following respects, effective August 12, 1942:

1. By striking out the word "instalment" in the first line of section 8(c) entitled "Educational, Hospital, Medical, Dental, and Funeral Expenses."

2. By striking out the phrase "in any listed article" and the word "such" in section 8(f) entitled "Credit to Dealers."

3. By adding the following new subsection at the end of section 8:

(n) *Railroad Watches*—Any extension of credit to finance the purchase of a railroad standard watch (whether new or used) by a railroad time service employee, provided the Registrant obtains a certification with respect to such employee in the form prescribed by General Limitation Order of the War Production Board limiting the transfer of railroad standard watches.

4. By adding the following new subsection at the end of section 8:

(o) *Commodity Credit Corporation*—Any extension of credit made by the Commodity Credit Corporation or made by a Registrant in accordance with a loan program formulated and administered by the Commodity Credit Corporation.

5. By amending Item 1 in Group B in section 13(a) to read as follows:

1. Furniture, household (including ice refrigerators, bedsprings, mattresses, and materials and services employed in reupholstering).

Amendment No. 9 to Regulation W

Regulation W is hereby amended in the following respects, effective October 26, 1942:

1. By adding to section 4 entitled "Instalment Sales" the following new subsection:

(e) *Approvals, Demonstrators, etc.*—In case a listed article is delivered in anticipation of an instalment sale of that article or a similar article (such as a delivery "on approval," "on trial," or as a "demonstrator"), the Registrant shall require, at or before the time of such delivery, a deposit equal to the down payment that would be required on such an instalment sale.

2. By adding to section 5 entitled "Charge Accounts" the following two new subsections (g) and (h), and by changing subsection (f) to read as follows:

(f) *Authorization of Small Items*—In case a Registrant makes a charge sale of a listed article the cash price of which is \$5.00 or less, he shall not be deemed to have violated section 5 (b) if the person authorizing such sale on behalf of the Registrant acts in good faith without knowledge that the customer's charge account is in default, provided the Registrant, promptly upon discovery that such charge account is in default and in any event within 15 days from the date of sale, makes a request of the customer that he either return the article or else pay for it in full immediately.

(g) *Small Defaults*—A charge account shall not be deemed to be "in default" within the meaning of sections 5 (c) or 12 (m) if the amount in default is less than \$2.00.

(h) *Approvals, Demonstrators, etc.*—When a charge account is in default, the Registrant shall not deliver any listed article to the obligor in anticipation of a sale of that article or a similar article (such as a delivery "on approval," "on trial," or as a "demonstrator"). When a charge account is not in default and the Registrant makes such a delivery of any article, the delivery (unless it is in anticipation of an instalment sale) shall be treated for the purposes of this Regulation as a charge sale made on the date of the delivery.

Interpretations

The Board of Governors of the Federal Reserve System has issued the following interpretations of Regulation W during the past three months:

Interpretations of Interest to Sellers

PURCHASE OF COAL FROM RETAIL COAL DEALERS

The Board has recently considered the following specific questions regarding the effect of Regulation W upon the purchase of coal from retail dealers:

(1) May a coal merchant extend credit to a domestic consumer on an open charge account without restriction?

(2) May a coal merchant sell solid fuel to a domestic consumer on a budget payment plan with terms as long as 12 months?

If a coal dealer does not sell any of the articles listed in section 13(a) of the regulation, the credit which he extends is not affected in any way; this list does not include coal. Moreover, even if the coal dealer does sell listed articles, coal itself may be sold on any terms which are satisfactory to the dealer. This rule applies whether the sale is on instalments or in a charge account.

Regulation W only affects the coal dealer in respect of the sale of listed articles. He cannot, for example, sell a listed article in a charge account if it is in default.

The charge account may, of course, include coal; and if the coal as well as any other items have not been paid for by the tenth day of the second calendar month following the month in which the sales were made, the account would be in default, and the dealer could not sell a listed article to the customer until the default was cured. The default may be cured by payment in full or by conversion to an instalment account in accordance with conditions prescribed in the regulation.

Thus, Regulation W does not in any way restrain the extension of credit by coal dealers for the purchase of coal, although it has been observed that some coal dealers, perhaps through a misunderstanding, have given the regulation a broader application than its language prescribes.

BATTERIES FOR TRUCKS AND BUSES

Item 5 in Group A, section 13(a) of Regulation W includes batteries and accessories for trucks and busses.

SALES FOR FUTURE DELIVERY

The Board recently considered several inquiries regarding sales for future delivery under Regulation W.

One of the questions related to a "fur coat sold in June with the understanding that the coat would be delivered in November" and would be billed to the customer at the time of delivery. During the interim the item is to be carried in a so-called memorandum account.

The question was whether this amounts to an agreement to defer payment for a longer period than permitted by the regulation, but the answer depends upon whether the coat was "sold" in June or is to be sold in November. It was not possible to give an answer which would be applicable to all cases because the facts will differ, but in some cases, as a legal matter, the coat would not be "sold" until November and the transaction in June would merely be a contract to make a sale at a future date. In that event, the transaction would not violate Regulation W since the article would be charged to the customer's account promptly at the time of the sale. On the other hand, if the coat is "sold" in June (so that title passes

In the December Issue

"Equality of Benefits Implies Equality of Responsibility," James D. Hays, President, Associated Credit Bureaus of America

"Soliciting Business From Inactive Accounts," B. Y. Cooper, Odum, Bowers & White, Birmingham

"A Follow-Up System Under Regulation W," Milton Rose, The Peerless Co., Pawtucket

"How Credulous Are Credit Managers in These Capricious Days?" Louis Spencer, Spencer Collection Service, Oakland

Questions and Answers on the Relief Act

to the customer, and the Federal tax is due on the sale) an agreement to delay payment until November or later would violate the regulation.

Of course, no matter when title passes to the customer, the Registrant may always take advantage of section 12(d) relating to "Layaway" Plans. Under the conditions therein described, he may treat the extension of credit as not having been made until the date of delivery.

Another inquiry related to the sale of furniture which is made to order and the item is carried in a memorandum account until the article is ready for delivery, at which time the charge is made to the customer's regular charge account. The Board was of the opinion that such a transaction involves a bona fide delayed delivery and that the article need not be regarded as "sold" within the meaning of section 5(c) until the article is ready for delivery. The transaction is therefore merely a contract to make a sale at a future date.

For the same reason, the Board pointed out that the same result should follow even if the cost of the furniture is charged to the customer's regular charge account at the time the order is taken, since the difference is merely in the form of the bookkeeping entry. In such a case if the account is in default on the date when the furniture is ready for delivery, the seller could not make delivery unless the furniture were paid for in full on or before delivery, or unless the default were cured.

Other inquiries related to materials used in connection with repairs, improvements and alterations of residential property. In some cases a specific list of materials is decided upon, and these materials are delivered when called for over a period of time as the job progresses. In other cases, the exact requirements are not known and the materials are ordered and delivered as the job progresses.

The answers will depend upon the rights of the parties as fixed by their contracts. If the articles are sold to the contractor, the sales are exempt under section 8(f). (See also Int. 43.) On the other hand, if the sales are made directly to the property owner and not to the contractor, it is probable that there would be a series of sales which would take place on the several delivery dates.

EXCHANGING UNSATISFACTORY ARTICLE

The Board has received a number of inquiries regarding a type of transaction in which the seller takes back an article which is not defective but which for some reason is unsatisfactory to the customer, and allows the full original purchase price as a credit against the purchase price of a new article of the same type. The price of the new article is often higher than the price of the first article. The exchange usually occurs within a very short time after the original sale, and is made in good faith pursuant to an express or implied guarantee of satisfaction given in connection with the original sale. This type of transaction is not specifically covered either by Interpretation 71 or by Interpretation 101.

The Board is of the opinion that, under these circumstances, if the seller allows the full original purchase price as a credit against the price of the new article, the transaction need not be treated as a trade-in (as described in Interpretation 71) and any payments made on account of the original sale may be credited against the down payment required on the new article.

Of course, if the price of the new article were in any manner inflated to take care of depreciation in the original article, the transaction would be an attempt to evade the down payment requirement and would not be permissible. Any long delay between the original sale and the date of the exchange might likewise lay the transaction open to suspicion as an attempt to evade.

Interpretations of Interest to Lenders

SAVINGS PASSBOOKS NOT INVESTMENT SECURITIES

The Board does not regard savings passbooks as "investment securities" for the purposes of section 8(b) of Regulation W.

MEANING OF "CARRYING" SECURITIES

The word "carrying" in section 8(b) of Regulation W has the same general meaning as in section 3(b) of Regulation U. In effect, this confines "carrying" to the refinancing of indebtedness which was originally incurred for the purpose of purchasing stocks, bonds, or other investment securities. The mere fact that the extension of credit is secured by such investment securities is not sufficient.

MATURITY OF LOAN TO RETIRE CHARGE ACCOUNT

The Board has been asked whether under Regulation W a Registrant may make an instalment loan with a maturity of 12 months to retire a charge account arising in whole or in part from the sale of a listed article, if the Registrant accepts a Statement of Necessity in accordance with the provisions of section 10(d). The answer to this question is that the loan may have a maximum maturity of twelve months from the date of the loan whether or not the charge account was in default under the provisions of section 5(c).

The Board has also received an inquiry as to the maximum maturity of a single-payment loan to retire a charge account. Such a loan must of course have a maturity not in excess of 90 days, but, if a Statement of Necessity is taken from the obligor when the loan matures, the Registrant may renew the entire amount on an instalment basis under section 7(c)(1) for as long as twelve months from the date of renewal, or the Registrant may make extensions in the manner provided in section 7(c)(2) if the maturity of the last single-payment obligation is not later than twelve months from the date of the first one. (See footnote 5.)

Interpretations of Interest to Both Sellers and Lenders

INSTALMENT SALE AND LOAN DISTINGUISHED

The Board has recently considered several cases that relate to the differences between (1) "instalment sale" (which, by definition, relates only to listed articles), (2) instalment sale of an unlisted article or a service, and (3) "instalment loan."

When Listed Articles Involved—Sometimes the seller of a listed article does not take a note payable to himself, but instead, according to arrangements with a financial institution, takes a note payable to the financial institution. Such a transaction involving a listed article is an instalment sale whether the note is made payable to the seller or to a financial institution, since section 2(e) specifically states that, so long as the extension of credit

in any
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is made "by any seller" of any listed article and "arises out of the sale of such listed article," the definition applies whether the seller provides for the credit "as principal, agent or broker." Such a transaction does not constitute an instalment loan and hence does not require a Statement of Borrower, since under section 2(h) an instalment loan includes only specified transactions "other than an instalment sale."

When Unlisted Article Involved—When such transactions involve an unlisted article or a service (including an insurance policy) instead of a listed article, the rule is somewhat different. If the seller takes a note payable to himself the transaction is exempt from the regulation as a sale of an unlisted article or a service, and the note may be purchased by a bank or other financial institution without regard to the requirements of the regulation. On the other hand, when the seller takes a note payable to a financial institution instead of to himself, the transaction (if for \$1,500 or less) is subject to the regulation as an instalment loan and a Statement of Borrower is required. The controlling factor in such cases involving an unlisted article or a service is whether the note is made payable to the seller, in which case the transaction is exempt, or is made payable to a financial institution, in which case the transaction is subject to the regulation as an instalment loan. Note, however, that the word "service" as used herein, does not include any service connected with the acquisition of a listed article.

The differences between the status of transactions involving listed articles and those involving unlisted articles and services flow from the fact that the definition of instalment sale in section 2(e) is by its terms specifically confined to transactions involving listed articles. When an unlisted article or a service is involved and the note is made payable to a financial institution instead of to the seller, the transaction of its face is a loan by the financial institution and (if for \$1,500 or less) is subject to the regulation as an instalment loan.

Status of Certain Other Interpretations of Regulation W

Status of Certain Other Interpretations—This covers the questions considered in Interpretations 16, 119 and 124 and takes the place of those interpretations.

"CONVERSION" DISTINGUISHED FROM "REPLACEMENT" OF HEATING PLANT.

The Board has ruled that section 8(m) of Regulation W does not except credit to finance the installation of a stoker if the same kind of coal is to be used. Furthermore, the extension of credit to finance the installation of a stoker in connection with a change of fuel, as from oil to soft coal, or from hard coal to soft coal, is only excepted when the stoker is necessary for mechanical reasons to burn the type of coal to be used.

Added Protection - -

A NEW GUARANTEE AND WAIVER FORM

GUARANTEE and WAIVER	
I, _____	in consideration of the
(Name of Guarantor)	
extension of credit by _____	(Seller)
to _____	(Name and Address of Buyer)
in the sum of \$ _____	for the purchase of _____
	(Description of Merchandise)
as evidenced by a contract in writing dated _____ 194 _____	
do hereby guarantee to the said _____	(Seller)
all and any payments under the said contract, and I do hereby waive notice of default and all rights and benefits to which I may be entitled under subsections 1 and 2 of Section 103 of the Act of Congress of October 17, 1940, being Public Law No. 461, 76th Congress, as amended by Section 2 of the Act of Congress of October 6, 1942, being Public Law No. 732, 77th Congress, this Guarantee and Waiver to be binding on my heirs, executors, administrators and assigns.	
Signed this _____ day of _____ 194 _____, in the city of _____ state of _____	
Witness _____	Signature _____
Address _____	Address _____
City _____	City _____

*Printed on other side of this form.

GUARANTORS ARE ENTITLED to the benefits of the Soldiers' and Sailors' Civil Relief Act . . . but, under the Amendments Act of October 6, 1942, they can now waive their rights to these benefits, if the waiver is in writing.

Protect your firm by using this new National Approved Form when you extend instalment credit on a guarantee basis. It is a waiver and guarantee form combined, and complies with all the requirements.

For best results, should be used in duplicate and copy handed to guarantor. Blocked in pads of 100. Actual size, 4" x 6".

Prices: 500, \$1.25; 1,000, \$2.00

Play Safe—Rush Your Order Today!

NATIONAL RETAIL CREDIT ASSOCIATION
SHELL BUILDING • ST. LOUIS

September, 1942 The Collector

DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)						ELRY
	1942			1941			1942			1941			1942			1941			1942			1941			
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	
Boston, Mass.*	—	—	—	48.4	52.0	46.7	—	—	—	15.2	16.9	13.5	—	—	—	50.9	63.1	41.0	—	—	—	—	—	—	6
Lynn, Mass.	77.8	78.5	55.8	53.5	54.7	43.1	51.7	53.7	49.7	42.8	50.9	34.8	—	—	—	—	—	—	—	26.0	—	23.9	27.9	2	—
1 Springfield, Mass.	70.6	72.6	68.5	54.8	59.7	54.5	23.5	23.6	23.4	18.9	19.0	18.8	—	65.5	—	—	55.1	—	—	—	—	—	—	—	—
Worcester, Mass.	68.9	70.9	67.0	46.4	47.5	45.4	—	25.1	—	—	22.2	—	57.3	58.0	54.5	45.0	52.7	36.0	—	—	—	—	—	—	—
Providence, R. I.	53.5	66.0	47.4	47.4	51.8	37.5	—	22.0	—	—	15.0	—	—	—	—	—	—	—	—	—	—	—	12.1	—	—
New York City	54.7	73.5	45.5	47.1	54.2	37.2	23.0	53.6	16.3	23.2	36.8	13.7	52.4	58.0	49.9	47.3	52.3	40.0	—	—	—	—	—	—	—
2 Syracuse, N. Y.	58.2	61.2	47.3	41.8	43.2	40.8	18.7	27.1	17.7	15.7	19.8	13.7	—	59.0	—	—	45.9	—	—	—	—	—	—	—	—
Pittsburgh, Pa.	59.0	73.1	46.8	44.4	48.4	41.3	20.7	26.2	16.3	17.2	21.3	12.7	57.1	73.1	44.2	43.7	48.4	37.8	—	—	—	—	—	—	71.9
Reading, Pa.*	—	—	—	55.3	56.0	54.7	—	—	—	—	16.4	—	—	—	—	—	46.0	—	—	—	—	—	9.0	—	—
Washington, D. C.	53.5	58.6	48.3	43.1	51.5	37.1	19.7	22.8	16.9	15.9	17.6	15.2	—	—	—	—	—	—	—	—	—	—	—	—	—
3 Baltimore, Md.	54.8	64.3	46.9	41.5	47.6	32.0	26.6	34.2	17.3	19.4	26.9	12.2	49.8	58.1	46.5	38.2	41.5	31.5	—	—	—	—	—	—	—
Huntington, W. Va.	70.1	71.4	68.8	60.7	68.0	53.4	19.8	22.5	17.1	13.5	14.6	12.5	29.7	30.4	29.1	—	25.1	—	15.9	18.1	13.8	10.1	10.5	3	—
4 Birmingham, Ala.	55.6	62.4	43.1	42.0	47.0	37.0	23.6	28.7	17.0	16.7	18.6	13.5	46.5	51.0	41.5	45.4	54.8	39.0	16.0	18.9	14.0	11.7	13.1	9	—
Atlanta, Ga.	47.3	48.7	46.0	35.3	35.6	35.1	16.5	17.3	15.2	12.2	13.8	10.0	43.2	58.2	31.8	29.3	33.1	26.0	13.4	16.3	10.6	10.9	11.6	10	—
Little Rock, Ark.	51.0	60.6	41.5	34.2	39.8	28.7	26.1	29.3	23.0	21.9	29.8	14.0	—	65.1	—	—	44.5	—	—	—	—	—	—	—	—
5 Kansas City, Mo.	78.5	81.0	76.1	67.7	72.5	62.9	—	31.9	—	—	20.1	—	61.8	68.8	60.0	50.6	55.0	47.0	—	—	—	—	14.3	—	—
St. Louis, Mo.	69.2	76.7	63.9	51.7	61.9	46.2	24.6	29.2	21.7	19.4	23.3	16.4	56.2	67.6	49.6	36.7	40.3	31.6	26.7	36.6	16.8	16.3	22.5	10	—
Louisville, Ky.	67.2	78.2	59.9	53.0	66.8	40.5	22.7	26.1	19.5	16.2	17.0	14.1	48.2	52.0	43.4	35.4	37.9	31.2	—	13.4	—	12.6	16.0	8	—
Detroit, Mich.	75.0	87.0	57.2	56.0	76.1	40.9	37.1	46.6	31.5	26.0	33.4	18.4	63.0	68.3	58.2	75.1	75.2	40.8	—	—	—	—	—	—	7
Grand Rapids, Mich.	66.5	69.5	64.2	46.2	50.2	40.1	21.9	23.5	20.2	19.3	20.6	18.1	56.1	72.3	44.0	41.0	58.9	26.9	23.5	31.3	12.2	19.8	26.8	12	—
Cincinnati, O.	66.2	71.6	61.9	49.5	52.9	48.1	22.5	27.1	19.5	15.8	22.3	12.5	50.7	59.1	31.9	35.6	45.3	22.5	—	—	—	—	—	—	53.4
6 Cleveland, O.	62.7	68.8	59.1	49.2	59.5	43.9	29.5	31.5	26.7	23.7	26.3	22.3	57.5	65.7	50.4	43.2	44.1	42.3	15.1	24.3	12.5	11.7	13.6	10	49.7
Columbus, O.	68.0	75.0	61.0	47.0	53.1	41.0	24.2	31.9	20.4	15.0	21.8	12.0	64.0	68.8	51.4	46.0	49.6	39.1	15.8	48.0	15.0	11.0	38.5	10	—
Toledo, O.	66.1	66.8	54.0	46.7	49.5	41.2	22.5	28.3	17.1	16.2	21.0	13.0	56.5	63.0	50.0	38.0	49.5	47.0	—	—	—	—	—	—	—
Youngstown, O.	62.5	63.6	61.5	47.2	47.6	46.9	19.9	21.0	18.8	16.1	16.2	16.0	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee, Wis.	69.0	70.2	61.5	48.7	50.1	47.3	26.9	29.1	24.7	17.0	17.7	16.4	64.2	76.9	33.4	45.8	46.2	27.0	18.9	20.8	17.0	12.8	14.6	11	—
Cedar Rapids, Ia.	76.0	78.0	63.5	53.0	60.0	49.0	29.7	32.0	27.5	23.2	28.0	18.5	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	64.5	72.6	56.5	50.8	50.9	50.7	20.8	22.8	18.8	15.7	16.0	15.5	—	—	—	—	—	—	—	19.4	—	16.0	17.6	14	—
Des Moines, Ia.	57.7	71.8	47.1	44.7	48.5	39.0	—	18.7	—	—	11.6	—	49.1	79.4	43.2	43.5	56.2	32.5	—	—	—	—	—	—	—
7 Sioux City, Ia.	59.9	66.1	44.0	46.1	47.8	44.4	22.1	24.0	15.9	18.8	19.8	17.8	—	51.0	—	—	45.0	—	—	24.8	—	—	20.6	—	—
Minneapolis, Minn.	84.2	88.8	81.1	65.0	67.2	62.9	30.5	33.6	23.8	20.3	22.8	15.9	—	88.5	—	59.4	61.1	57.6	—	13.3	—	—	10.1	—	—
St. Paul, Minn.	71.0	77.6	60.7	52.5	60.4	47.0	60.0	17.7	30.0	26.1	45.9	12.8	68.1	75.1	64.1	47.8	57.3	36.0	—	—	—	—	—	—	—
Omaha, Neb.	—	58.4	—	—	44.0	—	—	19.4	—	—	12.3	—	56.7	61.9	50.8	45.2	47.2	41.9	—	—	—	—	—	—	—
Oklahoma City, Okla.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 Tulsa, Okla.	60.0	72.1	47.9	57.0	59.8	54.1	20.4	24.3	16.5	16.0	20.2	11.7	62.7	79.0	53.0	48.8	65.0	37.0	—	—	—	—	—	—	—
San Antonio, Tex.	51.0	61.0	42.0	46.0	49.0	30.8	15.1	16.0	14.5	10.0	12.7	8.5	51.8	56.1	42.0	43.5	49.2	39.6	16.8	26.0	14.4	10.5	15.0	8	—
Denver, Colo.	59.1	64.5	50.6	46.5	48.5	44.4	24.3	34.0	20.0	15.6	23.4	12.6	59.3	61.8	51.2	44.4	48.5	43.1	—	12.6	—	—	—	8.7	—
9 Salt Lake City, Utah	73.2	79.3	67.1	53.9	57.9	46.2	36.3	53.6	28.1	30.0	55.4	20.5	—	—	—	—	—	—	—	—	—	—	—	—	—
Casper, Wyo.*	—	—	—	—	114.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 Spokane, Wash.	—	—	—	45.7	55.6	35.9	—	18.3	—	13.2	15.2	11.2	94.9	124.9	65.0	59.4	60.0	48.0	—	—	—	—	—	—	—
Los Angeles, Calif.	72.1	78.8	71.1	59.6	67.0	47.3	23.5	30.6	19.5	18.6	21.2	17.2	47.0	69.3	42.9	44.0	53.0	35.1	—	—	—	—	—	—	—
11 Oakland, Calif.	69.2	70.8	67.9	49.3	52.4	43.9	22.5	41.2	19.4	18.2	36.8	16.3	—	69.8	—	—	46.7	—	—	32.6	—	—	21.4	—	—
San Francisco, Calif.	59.0	75.6	54.3	41.1	51.8	37.9	23.2	32.9	21.7	16.2	20.0	14.1	45.8	48.7	43.6	34.0	35.4	28.6	—	—	—	—	—	—	—
Santa Barbara, Calif.	59.4	68.7	47.6	53.4	59.7	48.2	—	—	—	—	—	—	56.0	58.9	54.1	43.2	47.2	36.5	—	—	—	—	—	—	—
Vancouver, B. C.	72.4	76.0	68.8	57.1	60.9	53.3	32.6	37.3	28.0	22.8	26.2	19.4	—	—	—	—	40.6	—	25.0	30.0	20.0	20.5	23.0	18	—
12 Victoria, B. C.	86.2	91.4	81.0	61.5	67.7	55.4	25.3	28.3	22.3	19.1	21.9	16.4	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

* 1942 figures not received at press time
 ° Installment

¹Furriers

⁵Heating
⁶Lumber

⁹Paper and Paint
⁷Fuel

⁸Cleaning and Dyeing
¹⁰Artists' Supplies

¹¹Grocery

FORTY-SEVEN KEY CITIES COOPERATING WITH THE RESEARCH DIVISION UNITED

New Collection Methods to Reduce Personnel and Equipment

Harry S. Hahn

The Ohio Fuel Gas Company, Columbus, Ohio

IT SEEMS that we have almost unconsciously begun to date all of our thoughts and actions from December 7. Since then, there has been an outstanding change in the people of the United States, and an equally outstanding change in their thinking. The individual, the country, the corporation have, to an extent almost unbelievable, joined hands in one common cause—that of winning a war. Without question, the winning of the war is the most important problem confronting us today, and to bring about a successful solution to our major problem, there are created a number of serious dislocations to business and to the individual as well, which must have our serious attention. Perhaps you are better versed in these problems than I am, but to many at least, such problems as priorities, substitutions, shortages, lack of man power, the highest tax burden in the history of our country, present an almost insurmountable problem.

Limited Transportation Facilities

Under the new conditions, nearly all companies are limited in their access to tires or automobile transportation of employees. There is little chance of getting such supplies. Therefore, we can continue on our present setup only as long as rubber on hand can do the job.

Man power is being rapidly drawn from industry, not only by enlistments and inductions into the armed forces of the United States, but also into necessary and high-paying defense production. Indications are that we neither will be able to maintain nor replace our present personnel. Our reasoning back of this move of eliminating personal collection service is based on a credit principle of some years' standing, to the effect that during prosperous times, business can radically tighten up its credit policy, while in times of depression, it must liberalize that policy for best results. In our own case, we have just passed through a period of depression in which we have followed a very lenient program in relation to our credit customers.

Most utilities use the same program of allowing sixty days before any strenuous collection effort is instigated, and only in extreme cases do we avail ourselves of the law-given right of denying service. That certainly makes for better public relations for the company, but at the same time it creates a collection problem of above average proportion.

There is another well-grounded principle to the effect that the longer an account remains on the books unpaid,

the less likelihood there is of collecting that account, and as the age of the account increases, so must the collection effort. Through our experience, we know that to be a fact.

Today, there is quite a change, and like all other writers, let me date that change from December 7 and Pearl Harbor. Business is "booming." In most cases, there is not the problem of finding to whom merchants may sell their goods, but of finding the goods which may meet the demands of customers. How well this problem may be met is in the hands of the Government only, but its existence does and will create a changed thinking in the credit division. Today more people are working, more money is being paid in wages, and individuals as a whole are better off than the lush periods of 1926, 1927 and 1928. That should mean the chances of early and prompt payment are greatly enhanced. Also, it seems that we can start our collection effort, in cases where necessary, at an earlier date and do away, in a large measure, with the need for personal collector's service. Under present conditions, we can act and justify our action for discontinuation of service as a saving program of benefit to the general defense effort. But how, you will inquire.

Changing Trends

Before our company adopted the no-collector policy, we assumed that if the Collection Department is deprived of the use of automobiles for its field work the substitution of bicycles, bus, or streetcars would slow down the work too much to serve this purpose. Also, the use of other available transportation would necessarily require an additional complement of help. That would take extra man power, which is not in line with the defense program. Therefore, we planned to solve our problem by the elimination of collectors entirely. All curb keys were returned to the Service Department where they rightfully belonged and where the men were more skilled in their use. Discontinuance of service necessitated by nonpayment of bills would be placed solely in the hands of our service men.

The first thing a public utility executive considers is the effect such a change of policy will have on public relations. Going from a personal collection service plan to a no-collector plan may be considered somewhat drastic and therefore detrimental to public relations. This is particularly so when service men are used to contact customers who have not paid bills. Some will say service men have not been trained for this kind of work and will

likely offend the customer when making the contact. Most public utilities have trained their service men just as effectively in policies and customer relations work as they have the other employees who do contact work. These service employees have been trained to get along with customers by being courteous, careful, thorough, considerate, and in many other ways that have a bearing on public relations.

Changes in Collection Service

Our company felt that the Service Department was just as qualified in handling the collection work as the general run of collectors would be and, up until now, this confidence in our men has been substantiated. Our service men are not permitted to collect money except in extreme cases where there is illness, old people or some other unusual circumstance. But as a general routine, the Collection Department tries to discourage the practice of paying when the service man calls to disconnect service. On the other hand, if the service man did make a practice of collecting each month, he would be building up a clientele in the same manner that collectors formerly did. Also he would be catalogued as a traveling cashier taking the office to the home and consequently would not be eligible to new rubber on his car.

In order to break the news to our customers that we could no longer give them personal collection service, we ran sizeable advertisements in all local papers in the territories where we operated. The advertisements set forth changes in our operating practices such as "twenty-four-hour notice required for turn-on and turn-off service" (in fact we require twenty-four-hour notice for all service except emergencies); "a one-dollar charge for turn-on after disconnection for nonpayment," and "collectors having been eliminated necessitates the payment of all bills at the main or branch offices." The theme of these ads consisted of conservation of man power, automobiles, and a general appeal for cooperation on the part of the customer. To date this cooperation and acceptance on the part of the customer have been well borne out.

Did you ever stop to analyze the percentage of your customers who require individual collection treatment? If you have, you probably were as surprised as we were. After all, how many delinquent accounts do we handle and when we talk about delinquent customers, of whom are we talking? Actually we are talking about 10 or 15 per cent of all our customers. According to our own experience, 85 to 90 per cent of our customers pay their gas service bills on or before the last net payment date. When the Collection Department comes to the decision of whom we should carry and how long, we find that the 10 or 15 per cent of the customers who do not pay by the end of the net period has been reduced to 4 or 5 per cent before the next bills are rendered. Therefore, our Collection Department deals with approximately 5 per cent of our customers, and it is no particular problem to personalize and individualize our collection efforts. In other words, the number of customers requiring individual collection treatment is minimized because 95 per cent of the customers pay without any effort on our part. What I have tried

to make clear is that our public relations have not been affected adversely by the new policy. Why? Because we gave the public notice of our intentions; we used only well-trained men to deal directly with offending customers; and only 5 per cent of all our customers were involved.

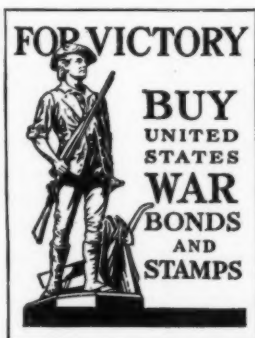
When we began to map out the procedure for the no-collector policy we kept two things in mind: *One*, who should or should not get collection notices; and *two*, pay days. The matter of who should or should not get notices was not too difficult a problem to overcome because we had already symbolized or coded our accounts. We had sufficient experience with the paying habits of most of our customers to enable us to rate them as either good or bad. An extra symbol is also used on doubtful accounts until the paying habits are established and then the symbol is changed to either good or bad. More than at any previous time we realized the necessity of knowing customers who were good pay and those who were not.

Heretofore, our Collection Department was something on the order of an enforcement agency rather than a credit administrative body. Now the Collection Department must function as a credit and collection department and treat each past-due account individually; good paying customers getting a mild reminder notice the first month and permission to let the balance go over to the next bill; and a denial-of-service notice to the problem accounts.

Collection Procedure Must Consider Pay Days

The matter of pay days is quite important. In order to devise an adequate collection procedure which is equally fair to both the customer and the utility, the procedure *must* take into consideration weekly, bi-monthly, and monthly pay days. Notices must be scheduled far enough apart to allow the customer one pay day after the net payment period. Our billing and paying schedules cover twenty-one units or geographical divisions and we have as a consequence twenty-one last net payment dates. These do not always coincide with the customers' pay days and, as a result, probably 10 per cent let their bills slip past the last discount date and are willing to forfeit the discount for an extended payment date. By scheduling notices far apart from the last net payment date, and extending the disconnect date far enough beyond the date the notice is received by the customer, a large number of bills are paid before the service man begins his part of the procedure. We have actually been astounded by the results obtained through this delayed action in sending notices and service men to disconnect service. Pay days are mighty important and we have found it produces profitable results to arrange our schedules to conform to them.

Since our company serves almost every home in the community, our customers include the entire range of credit risks, from the financially sound individual who pays all of his debts promptly to the destitute or irresponsible individual who pays only the obligations he cannot avoid. Some place in our collection procedure we must provide for a method of selecting accounts



which must be followed for collection. It is only good economy to avoid collection treatment on those accounts which will be paid without follow-up and concentrate on those customers who do not pay until forced to do so. When we do this, we will find that the initial, milder steps in the collection procedure show a marked decrease in effectiveness. It then becomes obvious that as far as the habitual delinquent customer is concerned, the reminder or first request for payment may as well be eliminated.

Our Procedure

Our procedure on slow pay or poor risks ("d" customers) begins ten to fifteen days after the last net payment date at which time a disconnection notice is mailed to the customer, giving him forty-eight hours to pay the bill. If the bill is not paid and the customer does nothing about it, the Service Department is given an order to discontinue the service for nonpayment on its next scheduled round. If the customer has the money handy, the service man is permitted to take it, but warns the customer that if he is required to call the following month because of nonpayment he is forbidden to take the money. Thus the customer is warned that the service man cannot and will not call each month to collect. However, if the customer does not have the money the gas service is disconnected. Service men are instructed not to discontinue service where the customer is not home, or where he finds sickness in the house. A charge of one dollar is made and collected in advance along with the past-due amount before the service is reconnected.

The second part of our procedure takes care of the accounts listed in a, b and c credit classification, which represent customers with satisfactory paying records or who are located in good residential neighborhoods. These accounts when past due are carried over to the next month as arrears. However, a reminder notice is sent to them ten to fifteen days after the last net payment date, and following that sticker notices obtained from the National Retail Credit Association are placed on the next bill before rendition, again reminding the customers of the past-due amount. Where the second month's bill, including the previous month's past-due balance, falls in

arrears without any explanation from the customer, he should, of course, receive a disconnect notice not less than fifteen days after the last net payment date. If the customer does nothing about it within forty-eight hours after receipt of the notice, he will probably be without service until the bill is paid.


Some of you who read this article might think such treatment is rather drastic. But we will argue that since the customer has had three full months' use of gas, the service was disconnected solely because of his complete failure to heed our warning. We must admit that because of both competition and our desire not to lose or offend a customer, we have been too lax in the handling of delinquent accounts. Many of our customers, knowing that additional time will be permitted, have allowed themselves to fall into the habit of nonpayment, even when prompt payment would be possible. You and I as charge account customers pay promptly to the extent that we are expected to pay promptly. If a customer discovers that he can let his bill drag on without any trouble except that the collector calls every few days he develops an attitude of carelessness which is not essentially one of his characteristics. Why shouldn't we then devise defensible collection policies and make use of the various factors we have available, and have our procedures adhere as closely to the established policy as may be practicable? We have always maintained, without adversely affecting our public relations, that the collection function like any other business activity should be considered a cooperative one.

Customers, Essential Part of Business

The customer, even though delinquent, is an essential part of our business. On the other hand, our company and its services are essential to the comfort of our customers. The payment of a gas bill should not be considered an advantage to the company and a disadvantage to the customer, because it is actually of advantage to both. Therefore, we do not hesitate to advise the a, b and c customers of our intentions after they have received not less than four notices—two service bills and two reminder notices. We consider it well within our rights to discontinue service when a customer does not give us any explanation or reason for withholding payment.

Briefly, the third part of our collection procedure pertains to the collection of past-due final bills. Since we have dispensed with collectors and must rely on mailed notices, we use a series of collection letters that have proved effective. After running the gamut of this series of letters we forward the residue of accounts to a local collection agency. We have dealt with this agency for years with excellent results.

In conclusion, I can't resist saying that "the proof of the pudding is in the eating," and we find, after several months, that in spite of the elimination of thirty collectors and twenty automobiles, the amounts outstanding have not increased but actually decreased. We have saved some money and apparently are retaining public good will. Yes, the plan works—the substitution of mailed notices and service men for a full staff of collectors and a fleet of automobiles.



1 inch
"Reverse"
75c

3/4 inch
"Reverse"
50c

3/4 inch
"Open"
50c

Emblem
Electros

Order from

NATIONAL RETAIL CREDIT ASSOCIATION

Shell Building St. Louis, Missouri

The Book Shelf

Proceedings of the Department Store Group Conference (National Retail Credit Association, Shell Building, St. Louis, Mo., 118 pages, \$2.00)—Proceedings of the 30th annual conference and credit sales forum of the Association held in New Orleans, June 15-18, 1942. Also contains complete report of the open forum discussions of Regulation W. Other subjects discussed include personnel, authorization, employee accounts, accounts in default, conversion agreement, carrying charges, billing, coupon books, age analysis, lay-aways, credit to armed forces, cycle billing, collection letters, unauthorized charges, sales tax, interest on accounts, and default notification. A valuable addition to any credit executive's library.



Proceedings of the Public Utility Group Conference (National Retail Credit Association, Shell Building, St. Louis, Mo., 78 pages, \$2.00)—Proceedings of the public utility conference of the 30th annual conference and credit sales forum of the Association held in New Orleans, June 15-18, 1942. Also contains complete report of the open forum discussions of Regulation W. Other subjects discussed include, customer relations, changing conditions, collection letters, personnel, authorization, defaulted accounts, tire rationing, and past-due accounts. Contains the best thoughts and experiences of credit executives on the problems confronting public utilities today.



Fiscal Planning for Total War (National Bureau of Economic Research, 1819 Broadway, New York, N. Y., 364 pages, 24 tables and 10 charts, \$3.00)—The report on which this summary is based is the first volume in the National Bureau's Fiscal Policy Series prepared under the auspices of the Conference on Research Policy. It presents an illuminating analysis of the very urgent current problem of financing the war; shows how the war can be financed without inflation; discusses the amounts that can be raised effectively by various taxes; and describes the extent and limitations of borrowing from individuals, banks and others. The authors of the report are Professor W. L. Crum of Harvard University, Dr. John F. Fennelly of Gloré, Forgan and Company, and Professor Lawrence H. Seltzer of Wayne University.



Productivity of Labor in Peace and War (National Bureau of Economic Research, 1819 Broadway, New York, N. Y., 28 pages)—This paper considers the factors that affect output per man-hour during peace and war. The forces operating during peacetime have resulted in a trend in labor productivity that rises rather steadily and is marred by few lapses in progress. During wartime, however, enormous changes occur in the character of output, in the composition of the labor force, in the conditions of working and living, and in the haste which things are done.

BAROMETER of Retail BUSINESS

Sales and Collection Trends September, 1942, vs. September, 1941

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES decreased 9.0 per cent during September; total sales increased 10.6 per cent; and collections increased 9.8 per cent in the United States and Canada, as compared with September, 1941. The increase in collections is attributed mainly to Regulation W, also heavier payroll earnings and reduced buying. The decrease in credit sales is due to shortage of merchandise, priorities, and a definite trend toward cash sales.

Highlights of the monthly analysis are shown in the tables below:

Highlights for September

- 40 Cities reporting.
- 12,762 Retail stores represented.

COLLECTIONS

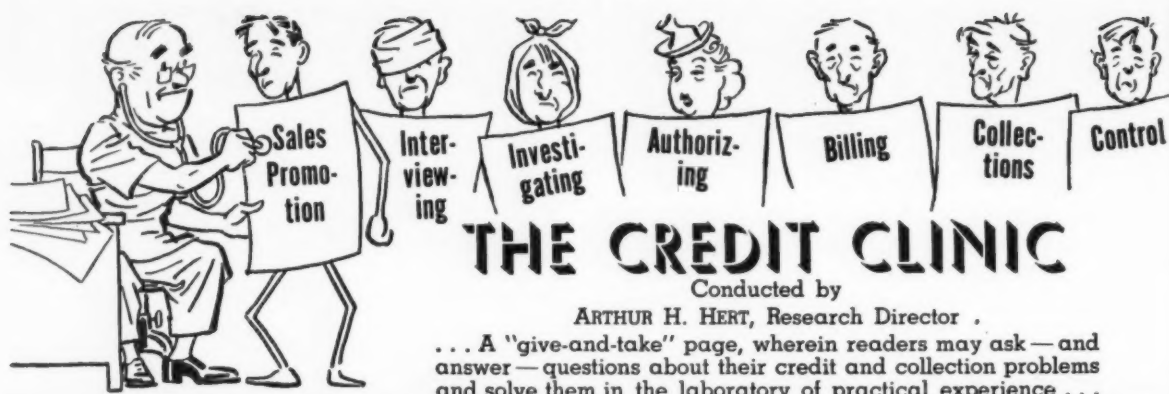
- 34 Cities reported increases.
- 9.8% Was the average increase for all cities.
- 28.9% Was the greatest increase (Waco, Texas).
- 2 Cities reported no change.
- 4 Cities reported decreases.
- 15.3% Was the greatest decrease (Abilene, Texas).

CREDIT SALES

- 22 Cities reported decreases.
- 9.0% Was the average decrease for all cities.
- 43.9% Was the greatest decrease (Fresno, Calif.).
- 1 City reported no change (Ada, Okla.).
- 17 Cities reported increases.
- 12.5% Was the greatest increase (Dayton, Ohio).

TOTAL SALES

- 33 Cities reported increases.
- 10.6% Was the average increase for all cities.
- 55.7% Was the greatest increase (Waco, Texas).
- 1 City reported no change (Ada, Okla.).
- 6 Cities reported decreases.
- 10.0% Was the greatest decrease (Aberdeen, S. D.).



Effects of REGULATION W in Men's Wear Stores

HOW has Regulation W affected retail credit in men's wear stores? Have charge sales decreased? Have the new rules meant a change in authorizing systems and collection procedure? What about customer reaction?

Credit executives know the answers to these questions as they affect their individual store, but to provide a complete story, a survey was made by our Research Division to collect and summarize the experiences of leading men's wear stores throughout the country.

A questionnaire for this purpose was mailed to the credit executives of eighty-five men's wear members of the National Retail Credit Association. In it they were asked to contribute a story of what the new rules and regulations have meant to their firms and the methods adopted to meet the changing conditions. Forty-three replies, representing 50.6 per cent of the total, were received from twenty-three states.

The summarized data given here should act as a guide to assist credit granters in maintaining a high standard of efficiency in their credit departments.

In the order that the questions were asked on the questionnaire form sent to the stores, we present here the replies to this definitely revealing study:

1—Billing

(A) Do you bill on a calendar month basis?

Yes	41	95.3%
No	2	4.7%
Total	43	100.0%

(B) Do you use stickers with statements that have a balance forward?

Yes	16	37.2%
No	23	53.5%
Stamp	4	9.3%
Total	43	100.0%

2—Defaulted Accounts

(A) How soon after the 10th can you ascertain all accounts which are in default?

Same day	9	20.9%
One day	18	41.8%
Two days	4	9.3%
Three days	2	4.7%
Four days	2	4.7%
Five days	6	14.0%

Seven days	1	2.3%
Ten days	1	2.3%
Total	43	100.0%

(B) What percentage of your charge accounts were in default on July 10?

3.0% to 24.9%	9	20.9%
25.0%	15	34.9%
30.0%	10	23.3%
30.0% to 75.0%	4	9.3%
Did not know	5	11.6%
Total	43	100.0%
Median percentage		25.0%

(C) How do you signal defaulted accounts?

Tabbed or stamped	22	51.0%
Direct ledger reference	8	18.6%
Grouped separately	6	14.0%
Refer to Age Analysis	3	7.0%
No signals	2	4.7%
No reply	2	4.7%
Total	43	100.0%

(D) Are your defaulted charge customers refused credit on listed articles only?

Yes	32	74.4%
No	5	11.6%
No reply	6	14.0%
Total	43	100.0%

(E) How do you remove the restriction promptly when a default has been cured?

Signal removed	22	51.0%
Place ledger sheet with current accounts	16	37.3%
Note on Age Analysis	2	4.7%
No reply	3	7.0%
Total	43	100.0%

(F) What percentage of your defaulted accounts have been cured by conversion?

Few	23	53.5%
None	16	37.2%
No reply	4	9.3%
Total	43	100.0%

3—Authorization

(A) What system of authorization do you use?

Direct ledger reference	30	69.7%
Tube or phone	11	25.6%
No reply	2	4.7%
Total	43	100.0%

(B) Is this a revision of previous policy?

No	33	76.7%
Yes	6	14.0%
No reply	4	9.3%
Total	43	100.0%

(C) Has the necessity of authorizing all "charge-sends" meant additional staff and expense?

No	35	81.4%
Yes	7	16.3%
No reply	1	2.3%
Total	43	100.0%

(D) Have you had many unauthorized "charge-takes" of \$5.00 or less?

None	29	67.5%
Few	13	30.2%
No reply	1	2.3%
Total	43	100.0%

4—Customer Reaction

(A) Have your charge sales increased or decreased?

Decreased	38	88.3%
No change	3	7.0%
No reply	2	4.7%
Total	43	100.0%

Lowest decrease in July	1.0%
Median decrease in July	14.5%
Highest decrease in July	60.0%

(B) Have your collections decreased or increased?

Increased	36	83.7%
Decreased	4	9.3%
No change	1	2.3%
No reply	2	4.7%
Total	43	100.0%

Lowest increase in July	3.0%
Median increase in July	15.0%
Highest increase in July	60.0%

5—Additional Remarks

Albany, N. Y.—"The amount owing on our books from March 1 to July 1 was cut in half during that period."

Cleveland, Ohio.—"We are not experiencing any particular difficulties. In fact, we think the Regulation is a good thing."

Dallas, Texas.—"We give customers ten days' advance notice that 'default' will take place if not paid. We mail first default notice on the 12th of the month and second notice 10 days later. Our 'default' customers are, therefore, well informed and we have had no authorization trouble to mention."

Louisville, Ky.—"The civilian business we are losing is offset by military business. Collections are affected in the same manner."

New Orleans, La.—"We have had no difficulty in handling our customers. All seem to understand the new regulations."

6—Conclusions

From the figures presented in the foregoing tables we can conclude that:

1. Practically all of the men's wear stores bill on a calendar month basis.
2. A little more than half the stores do not use stickers on statements that have a balance forward, while a little less than half use them.
3. About two-thirds of the stores are able to ascertain which accounts are in default within two days after the 10th of the month.
4. One-fourth of the charge accounts were in default on July 10.



"I want to compliment you on *The Layman's Handbook of Regulation W*. It is the most exhaustive and clearest explanation of the regulation I have seen. It covers a good many phases which do not concern our operation."—R. S. Smith, Assistant Treasurer, Montgomery Ward, Chicago, Ill.

"I just became a member of the N. R. C. A. and I find that *The CREDIT WORLD* is wonderful. Also, the Conversion Agreement form which is being used by almost every member with great success."—Mrs. H. Clay Hudson, Manager, Retail Merchants Association, Henderson, Tex.

"Mr. Dakins's talk on *Credit in Wartime* was very well received at our regular luncheon meeting. It was the most interesting and informative talk I have heard on wartime credit, particularly as it is affected by our Regulation W and Canada's Order No. 75."—T. W. Walters, Vice-President, The Morris Plan Bank, Cleveland, Ohio.

"We find *THE LAYMAN'S HANDBOOK OF REGULATION W* very helpful."—F. M. Hughes, Manager, Deferred Payment Department, Strawbridge & Clothier, Philadelphia, Pa.

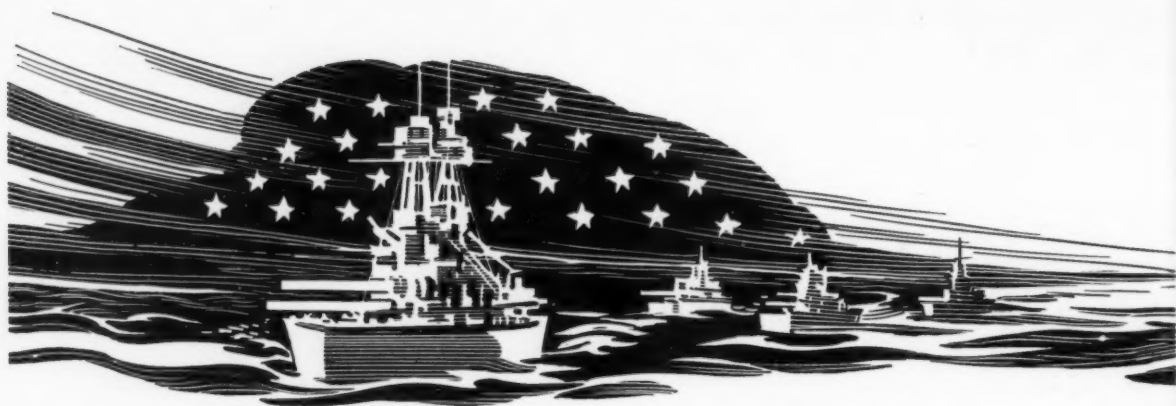
"Enclosed is our check in payment of 300 copies of *The Layman's Handbook of Regulation W*. This book is a splendid piece of work, and, of course, valuable to our members."—Myron R. Bone, Executive Secretary, American Industrial Bankers Assn., Fort Wayne, Ind.

"We want to compliment you on the completeness of *THE LAYMAN'S HANDBOOK OF REGULATION W*. It is a wonderful help to any credit executive."—G. T. Davis, Secretary-Manager, The Credit Bureau, Evansville, Ind.

"*The Layman's Handbook of Regulation W* is the best we have seen on this subject so far. Each of our managers who has seen it requested a copy for reference in his daily work. Naturally, we are pleased to do this. Please send us 12 copies."—Carl E. Scheer, Credit Manager, United Financial Service, Omaha, Neb.

"I was very much pleased with the front cover of the September *CREDIT WORLD*. Think there is a lot of meaning in those words. They could be used as the ideal for which the N. R. C. A. is striving."—R. H. Laethem, Credit Manager, Borden's Farm Products Company of Michigan, Detroit, Mich.

5. Over half the accounts are tabbed or stamped to signal the defaulted accounts; others use direct ledger reference, etc.
6. Defaulted accounts in a little less than three-fourths of the stores were refused credit on listed articles only.
7. A little less than half of the stores indicated the default was cured by removing the tab, while the balance placed ledger sheets with the current accounts or used other methods.
8. More than half the stores had only a few accounts cured by conversion.
9. Over two-thirds of the stores used the direct ledger reference for authorization, while the balance used the tube or phone.
10. Three-fourths said this was not a revision of previous policy, while one-fourth said it was.
11. Practically all stores found it was not necessary to employ additional help nor was additional expense necessary as a result of Regulation W.
12. Over two-thirds had no unauthorized "charge-takes" of \$5.00 or less while one-third had a few.
13. Over 88 per cent of the stores experienced a decrease in charge sales since the Regulation went into effect. The charge sales of 7 per cent of the stores were unchanged.
14. Over 83 per cent of the stores reported that their collections had increased, while more than 9 per cent had decreases.



New Amendments to

THE SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

J. Gordon Dahins

Educational Director, National Retail Credit Association

MANY IMPORTANT AMENDMENTS to the Soldiers' and Sailors' Civil Relief Act of 1940 appear in the Soldiers' and Sailors' Civil Relief Amendments Act of 1942 which became effective on October 6, 1942, and is known as Public Law 732, 77th Congress. The act, as revised, contains far-reaching benefits for members of the armed forces and enlarges upon the provisions to suspend enforcement of certain civil liabilities of persons serving in the army and navy. The revised version also extends new benefits to American citizens serving in the armed forces of our allies.

New Law Applies to Debts Incurred Before Induction

A number of the provisions of the 1940 act originally extended only to obligations incurred prior to the date of its enactment, October 17, 1940. Under the new amendments, however, these provisions now apply to obligations entered into at any time prior to induction into the armed services. In substance, the new law permits the postponement of all debt payments by men in the armed forces until military service ends, unless by court action it is found that the service man is able to pay his obligations.

The act does not relieve service men from paying their accounts, but it does provide that all such cases must be referred to a court of competent jurisdiction and gives discretion to the court to decide to what extent the protection of the soldier's or sailor's interests shall apply as provided.

Changes which are of interest to retailers and financial institutions follow:

Guarantors:—Subsections (1) and (2) of section 103 extend the same benefits that are granted to service men to sureties, guarantors and the like and, as in the original act, permit stays of proceedings as to such persons. Retail credit executives will be gratified to know,

however, that the NRCA campaign for amendment of section 103 to permit the waiver of these benefits has been successful.

Section 103 has been amended by adding two new subsections. Subsection (4) permits guarantors, accommodation makers and the like, or others primarily or secondarily liable, to waive their rights as to the benefits of the act. It is provided, however, that after October 6, 1942, no waiver will be valid unless it is executed as an instrument separate from the obligation or liability in respect of which it applies. Moreover, a waiver so executed becomes ineffectual after the beginning of the period of military service if executed by an individual who subsequent to the execution of such waiver becomes a person in military service, or if executed by a dependent of such individual, unless executed by such individual or dependent during the period specified in section 106.

Section 106 extends the relief and benefits of Articles I, II and III to persons ordered to report for induction and to members of the Enlisted Reserve Corps ordered to report for active duty during the period intervening between the date of receipt of such order and the date of reporting. The relief authorized by this section is in addition and supplemental to the relief and benefits granted all persons upon entrance into active service.

Provision For Repossessions

Repossession by Mutual Agreement:—Section 107 preserves the right of repossession or the termination of a contract by mutual agreement. This provision came about in large part through NRCA efforts. It covers both conditional sale agreements and chattel mortgages. The agreement must be in writing and it must be executed during or after the period of military service of the person concerned, or during the period specified in sec-

tion 106 (which is the period when the debtor is about to enter military service).

Notifying Service Men of Their Rights:—Under section 105, the Secretary of War and the Secretary of the Navy are required to see that all service men are informed of the benefits accorded by the act.

Interest:—Section 206 prohibits interest at a rate in excess of 6 per cent per annum upon obligations of persons in military service, which obligations were incurred prior to entry therein, unless, in the opinion of the court, upon application by the obligee, the ability of the service man to pay interest upon such obligation at a rate in excess of 6 per cent is not materially affected by reason of such service.

As used in this section, the term "interest" includes service charges, renewal charges, fees or other charges (except bona fide insurance) in respect of such obligation. Incidentally, it was through the work of the NRCA in association with other interested organizations that bona fide insurance was eliminated as a part of the term "interest."

Limitation of Actions:—Section 205 provides that the time for bringing any action does not run during the period of military service; and that any part of such period which occurs after October 6, 1942, shall not be included in computing any period provided by law for the redemption of real property sold or forfeited to enforce any obligation, tax, or assessment.

Instalment Contracts:—The original act prohibited peaceable repossession only in connection with instalment contracts entered into prior to October 17, 1940. This provision has now been lifted out of the act, and, as amended, the act provides that any instalment contract entered into before the buyer begins his period of military service is covered by section 301.

In such cases, section 301 provides that no seller may exercise any right to terminate the contract or repossess the goods for nonpayment of an instalment, except by action in a court of competent jurisdiction. However, the goods may be voluntarily given up, provided there is a written agreement executed during or after the period of military service, as set forth in section 107.

If an action is brought in court, the court may order repayment of prior instalments by the seller to the debtor as a condition of terminating the contract or resuming possession of the goods, or may order a stay of proceedings, unless the ability of the defendant to comply with the terms of the contract is not materially affected by his army service.

Repossession without court order will make the offender liable to a fine of \$1,000 or a year in jail, or both.

Chattel Mortgages:—Section 302, as amended, provides that where an obligation which originated prior to a person's period of military service is secured by a chattel mortgage, no foreclosure or seizure of the property is valid if made after October 6, 1942, except by order of the court or pur-

suant to an agreement as provided in section 107.

Any person who disregards this section is liable to a fine of \$1,000 or a year in jail, or both.

Foreclosure and Repossession Proceedings:—The new section 303 provides that where a proceeding to foreclose a mortgage upon, or to resume possession of, personal property has been stayed by the court, the court may, unless in its opinion an undue hardship would result to the dependents of the service men, appoint three disinterested parties to appraise the property. As a result of such appraisal, the court may order such sum, if any, as may be just, to be paid to the service man or his dependent as a condition to foreclosure or repossession.

Old section 303 has been repealed. In the original act, section 303 was the section which provided that no stay of proceedings could be granted in a proceeding to resume possession of a motor vehicle, tractor or accessories of either, unless the court found that 50 per cent or more of the purchase price had been paid. This original provision requiring stays of proceedings only in connection with motor vehicles where 50 per cent or more of the purchase price has been paid has been eliminated entirely.

Enforcement of Storage Liens:—Section 305, subsection (2) prohibits the enforcement of storage liens as against service men except through court procedure. In such court action, the court may stay the proceedings or make such other disposition as may be equitable.

Enforcement of such liens other than through court action makes the offender liable to a fine of \$1,000 or a year in jail, or both.

Dependents:—Under section 306, the dependents of a service man are entitled to the same benefits as are accorded to service men under Article III unless, in the opinion of the court, the ability of the dependent to comply with the terms of the obligation has not been materially affected by the military service of the person upon whom he or she is dependent.

This means that where goods are sold on the instalment plan to a dependent of a service man prior to his induction, repossession for nonpayment can be made only on court order. The same applies to the enforcement of storage liens against dependents of service men.

Additional Relief:—A new article has been added—Article VII—under which a person, during his period of military service or within six months thereafter, may apply to the courts for relief as to obligations or liabilities incurred prior to his period of military service.

Under section 700, subsection (b), the court may grant an order staying enforcement to enable the debtor to pay the obligation in instalments over a period of time not greater than the period of military service starting at the close of such service or from the date of the application if made after such service. This offers a method for the orderly settlement of civil liabilities after the term of military service has expired.

Remember This

When granting instalment credit to persons of military age, it is well to secure the signature of a responsible guarantor—some one other than a dependent. Have the guarantor sign a waiver of his rights to the benefits of the act. Make sure that this waiver is on a document separate from the instalment note or agreement (the NRCA Guarantee and Waiver Form illustrated on page 15 meets the requirements). Then if the purchaser goes into military service and is unable to pay, you will be able to collect from the guarantor through court action. However, the goods cannot be repossessed except upon court order or through a mutual agreement in writing between the purchaser and seller made after the service man's period of military service begins.

When He Writes His

Credit Off!

M. N. Bunker

American Foundation of Grapho-Analysis
Lynn Creek, Missouri

IT WILL TAKE less than two minutes for you to spot certain very bad credit risks, without seeing the applicant.

This is not a matter of question or doubt, but a fact. You can test it and prove it. All you need is the written application for credit. What is more the applicant may have a dozen references all of whom say he is A1, and you will still be safe in turning him down. This is just how exact the science of handwriting analysis has become.

You actually see the story the applicant tells in his handwriting. When he fills out his application in long-hand you have an intimate picture of his innermost character, because handwriting analysis has developed into an exact science instead of being an uncertain parlor pas-

Test Yourself With These Rules

*bookkeeper a good
four years.*

1. He may have a dozen or a hundred references, but if he makes his a's and o's and the circle part of his g's with a broken base line you will find it profitable to pass him up—and tip off your store detective. Such a writer can be exceedingly dangerous in more than one way. The break must occur at the very base of the circle, not between letters. You will find one of these about every 5000 customers, more in some communities, less in others.

*I am not
putting it past*

2. When she makes the crossbars of her t's after the letter, never quite catching up with the stem of the t, she may be honest but she keeps even her boy friend waiting. She never quite catches up with herself or her budget payments. Usually there is no cause for the procrastination. Just geared for slow action and putting off until tomorrow.

time, or an ally of a gypsy tent. You can use simple rules of grapho-analysis with safety. This is true and it is equally true that knowledge of a few rules does not make you an expert. You do not need to possess professional skill, however, to handle the rules which are illustrated on this page, nor those that will appear in future issues.

Your applicant is a composite of many traits, each contributing something to his general character, and the determination of this general character is a matter for those trained to a high point of exactness. When you have such skill, however, you can determine exactly, in less than five minutes, the personal integrity of the writer—and also establish what conditions may occur to make him a doubtful credit risk. He may, for example, be absolutely honest so far as intention to pay is concerned, but so eager to possess, and inspired by such a vivid imagination that he will overstep his ability to pay. His intention is good, but his character is so constructed that he is not a safe buyer.

In another case he may be a slow payer, just naturally inclined to get his payments in late, just as he is also inclined to put off doing other tasks until past time to do them. Handwriting reveals such intimate details with uncanny accuracy, so that those who use grapho-analysis rules for the first time are amazed at the results they get.

Such results are quite natural though. Your family recognizes your walk as far as they can hear it. Your step is a physical gesture, a reflection of your mental habits. You dig your heel into the ground, or you drag your steps, or you have an almost soundless step. In either case it is a gesture, but only one gesture, whereas

*This is not
the best.*

3. Long sweeping crossbars do not mean bad credit, but they do mean enthusiasm and sometimes too much enthusiasm means bad credit. The applicant who writes and crosses the t's with long, sweeping strokes that are flourished likes to "show off" and is very likely to keep his credit worked to the limit while keeping up with the Joneses. That sweeping *flourished* stroke means enthusiastic showmanship.

handwriting provides an endless variety of them, each valuable when taken with others, and many of them valuable when standing alone.

It is this last fact that makes it possible for you to take the rules illustrated this month, and put them into immediate use. These are rules that fit fixed mental habits. They will stand alone, even in a complex personality, because they are elemental habits. Such individual traits may be influenced by other traits, but not sufficiently to change the final meaning of the evidence covered by these rules, which are immediately usable.

Handwriting analysis is not new. The idea has been in existence for centuries, making spurts of progress, then slipping back into near oblivion. It has only been during the last thirty years that there has been a steady advance in America, both in exactness and in application of such exactness.

You have one advantage in determining personal integrity and general character from handwriting. A personal interview is not essential, and investigation of references can be confined to a much more limited effort. The handwriting itself is impartial; it betrays both good and bad no matter where it occurs. This complete freedom from bias has caused critics to point out that analyses made by experts have shown that famous preachers and moralists were crooks, and prisoners in jails and penitentiaries had great possibilities. This however is not a failing of grapho-analysis, but one of its strong points. It is impartial. It tells nothing but the truth, and it tells that exactly, even about liars; and there are famous preachers who should be in the penitentiary, while I have had writing submitted by prisoners that rated very high for general honesty. I recall an incident in my own research in this field that illustrates this point clearly. A very famous radio preacher submitted his handwriting. That writing said he was dominated by sex, that his character was completely rotten. I made his report, and for many years his reply was one of the vilest in my files. Then one noon the headlines of daily papers carried a story that shocked the faithful—and destroyed a successful short route to white slavery. His handwriting had told the truth, a truth that his followers would not have believed.

Handwriting Reveals Everything

You can make mistakes when you are an amateur trying to put together the pen strokes that reveal a complicated personality, but you cannot make a mistake by applying the rules illustrated this month, or those that you can learn from future articles.

More important still, you may not believe that handwriting has any possible value to you in dealing with your credit applicants. That is all right. However, if you are sufficiently interested in saving time and energy to prove the accuracy of what handwriting reveals, you can do just that. Grapho-analysis and its accuracy and value to you are not built on my statement in this magazine that a rule for judging a man will prove 100 per cent correct. Instead any rule given here is for your test, so that after you have tested it and proved it for yourself, you will not need to have anyone tell you that it is exact. *Handwriting reveals everything you want to know about a man, and you can prove this for yourself by testing it.*

Successful Credit Department Letters

VOLUME II

Just Published

The success of our first booklet, and a demand for more examples of outstanding credit and collection letters, is responsible for our publishing another practical aid to successful letter writing. The 163 specimen letters illustrated cover the field of credit correspondence, and contain many valuable ideas well worth adopting.

Of vital importance to credit granters is a section devoted to Regulation W. Many letters are illustrated and all of them comply with the requirements.

Practical hints on letter writing are also included that will save time and assist the busy credit executive to do a better job.

The various types of letters and forms are carefully indexed for quick reference. Among the many types illustrated are:

- Account solicitation letters
- Collection letters
- Collection notice cards
- Declining account letters
- Credit sales promotion letters
- Good Will letters
- Inactive account letters
- New account acknowledgment letters
- Letters for use with Regulation W

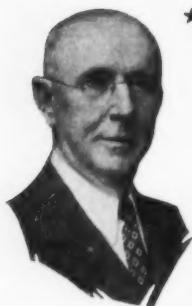
Here's your opportunity to secure an extremely timely booklet for practical use in handling your business correspondence during wartime.

\$1.00 TO MEMBERS NON-MEMBERS \$1.50

**NATIONAL RETAIL
CREDIT ASSOCIATION**

Shell Building

St. Louis, Mo.



In Honor of Our President

The leader of a great Organization is paid tribute
at a banquet given by his fellow credit men

ON WEDNESDAY evening, October 21, the Kansas City Retail Credit Association held a dinner honoring President "Jeff" Burris, as he is known to his many friends. The toastmaster was Past President David D. Bolen and the speaker of the evening was Charles T. Evans, Assistant to the President of the Arkansas Power and Light Company, Little Rock, Ark.

Adding to the pleasure of the occasion were many congratulatory messages which paid tribute to the honored guest. One from Ralph Watson of Spokane, Washington, an old-timer in the credit profession and a former President of the N.R.C.A., read as follows:

I'm certainly glad to have your invitation to attend the dinner in honor of my good friend Burris. Nothing would please me better than to be there and join in your tribute to his success and to your pride in it. He was an old wheel horse in the Association before I ever started in it, and in my opinion should have been honored long ago. I am sure that he would have been had he pushed himself forward a little. The fact he did not is indicative of his fine modesty. His long service without the honors indicates his unselfish interest in the Association and its useful work. Please pay to

him my sincere regrets that I cannot be there and my pleasure in the distinction of the presidency during this crucial year.

Besides Mr. Bolen and Mr. Evans, the out-of-town guests included: National Directors, R. C. Warren, Arkansas Power & Light Co., Pine Bluff, Ark.; H. R. Amos, Magee's, Lincoln, Neb.; Paul Kruger, Credit Bureau, Emporia, Kan.; and L. S. Crowder of St. Louis. Mrs. M. G. Riley, wife of the former Secretary of the Kansas City Retail Credit Association, also attended. Mr. Riley is now a Captain in the Army Air Corps and is stationed at San Antonio Aviation Cadet Center, San Antonio, Texas.

Mr. Burris has been active in the work of the Kansas City Association since the first World War at which time it was founded. Naturally, he was a charter member of that Association. It is most fitting, then, that he should be President of our National Association during World War II. In honoring him the credit fraternity recognizes his many years of faithful performance in the profession of retail credit granting. The grave responsibility and service it demands is not without recompense as this happy event will justify.

"Kefauver Bill"

(Beginning on page 8)

77th Congress
2d Session H. R. 7213

IN THE HOUSE OF REPRESENTATIVES

June 9, 1942

Mr. Kefauver introduced the following bill; which was referred to the Committee on the Judiciary:

A BILL

To provide for the attachment, garnishment, execution, or trustee process of wages and salaries of officers and civil employees of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the wages and salaries of all civilian officers and employees of the United States, its instrumentalities and agencies, including Government owned or controlled corporations, shall be subject to the remedies of garnishment, attachment, execution, or trustee process in the same manner and upon such conditions as may be applicable in the case of wages and salaries due from private employers in the State or Territory in which is located the court wherein such remedies are sought, where by the laws of such States or Territories the wages or salaries of officers or civil employees of such States, or the wages or salaries of officers or civil employees of municipalities or other political subdivisions within such States or Territories, are subject to said remedies of garnishment, attachment, execution, or trustee process: *Provided*, That the writ, summons, or other process in such proceedings shall be served personally or by registered mail upon the head of the department or agency in which the debtor whose wages or salary is sought be subjected to the remedies aforesaid is paid; that said writ, summons, or other process shall be accompanied by a statement under oath of the creditor or judgment creditor suing out such writ, summons, or

other process, that he is an original creditor of the debtor in such proceeding and that the indebtedness upon which such process is sought does not include interest in excess of 8 per centum per annum, computed upon the unpaid balance; and that said writ, summons, or other process, shall be accompanied by the sum of \$5 to be paid to the head of the department or agency so served, for and on account of the United States, to be converted into the miscellaneous receipts of the Treasury. That it shall be the duty of the head of the department or other governmental agency so served as herein provided or such officer or employee of such department or agency as may be designated by him to respond to said writ, summons, or other process, if accompanied by said statement and said \$5, but not otherwise, within sixty days from service thereof, by causing to be delivered by registered mail or in person to the party designated, or to the officer specified in said writ, summons, or other process, a certificate stating the amount, if any, of wages or salary due such officer or employee, which amount shall be held subject to the further order of the court; and that said certificate shall be conclusive evidence of the facts therein stated but in no event shall any person so served be required to leave his office to testify in any proceeding brought hereunder.

SEC. 2. The head of the department or agency served as provided in section 1 shall cause to be delivered and paid over the amount of any wages or salary due any such officer or civil employee aforesaid, in accordance with the order of the court or justice having jurisdiction in such proceedings, and any payment so made shall constitute a complete and valid acquittance of the United States for the amount of the wages or salary of any such officer or civil employee of the United States so paid.

SEC. 3. That the term "Territory" as used in this Act shall include all political subdivisions of the United States of America, including the District of Columbia, and the said right of garnishment, attachment, execution, or trustee process shall apply to all Federal employees therein, including those of Government owned or controlled corporations, and to employees of the District of Columbia.

SEC. 4. This Act shall take effect immediately but shall not apply to indebtedness incurred prior to the date of its approval.

Meetings
ELECTIONS

NEWS ITEMS

Personal and
OTHERWISE

Seattle Elects

At their regular board meeting, September 8, the following officers of the Retail Credit Association of Seattle, Washington, were elected: President, M. L. Storhow, Frederick & Nelson; Vice-President, Wendell Sizemore, National Bank of Commerce; Treasurer, Burt Gilbert, Washington Mutual Savings Bank; and Secretary, Don Minnock, Continental Inc. Board of Trustees: A. L. Holberg, Maynard Hospital; Clayton Watkins, Seattle First National Bank Metro. Br.; Frank Price, Jean Hall; Harry Crouch, Woodlawn Flower Shop; and Caroline Condon, Ben Franklin Electric Co.

Fred L. Train Manages San Diego Bureau

Fred L. Train, former Secretary-Treasurer of the Associated Credit Bureaus of California, has been appointed Secretary-Manager of the Merchants Credit Association, Inc., San Diego, California. He succeeds C. D. Collum, Secretary-Manager for the past 16 years, who is retiring from active business life. Mr. Train served as Assistant Manager of the Retailers Credit Association of Oakland for five years and was Assistant Cashier and Credit Manager of the Central National Bank of Oakland for seven years.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933.

OF CREDIT WORLD, published monthly at St. Louis, Mo., for October 1, 1942.

State of Missouri } ss.
City of St. Louis }

Before me, a Notary in and for the State and county aforesaid, personally appeared Lindley S. Crowder, who, having been duly sworn according to law, deposes and says that he is the Editor of The CREDIT WORLD, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business manager are:

Publisher, National Retail Credit Association.....	St. Louis, Mo.
Editor, Lindley S. Crowder.....	St. Louis, Mo.
Managing Editor, Arthur H. Hert.....	St. Louis, Mo.
Business Manager, A. L. Creighton.....	St. Louis, Mo.

2. That the owner is: National Retail Credit Association, 218 Shell Building, St. Louis, Mo.; H. J. Burris, President, c/o John Taylor Dry Goods Co., Kansas City, Mo.; First Vice-President, Jos. A. White, c/o Harris Stores Co., Pittsburgh, Pa.; Second Vice-President, Jos. H. Riggs, c/o Florida National Bank, Jacksonville, Fla.; L. S. Crowder, General Manager-Treasurer, 218 Shell Building, St. Louis, Mo.; and Arthur H. Hert, Secretary, 218 Shell Building, St. Louis, Mo. No Stock. Official organ of the National Retail Credit Association.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

L. S. CROWDER, Editor.

Sworn to and subscribed before me this 22nd day of September, 1942.

Mary E. Riordan.

(My commission expires May 18, 1945.)

Credit Conference in Los Angeles November 12-13

A CONFERENCE on credit management in the war and post-war economy will be held at the University of Southern California, November 12 and 13, 1942. The purpose is to study credit granting and lending in relation to the public policy and to explore trends in retail, wholesale, and consumer credit, so that management can better adapt itself to rapidly changing business conditions. The sponsors of this Conference are: The University of Southern California; Los Angeles Credit Men's Association; Los Angeles Bank Credit Men's Association; Retail Merchants Credit Association; Building Material Dealers Credit Association; and California Association of Small Loan Companies.

Outstanding speakers include: Rolf Nugent, Consumer Division, Office of Price Administration, Washington, D. C.; W. M. Hale, Vice-President, Federal Reserve Bank, San Francisco; David Weir, Acting Executive Manager, National Association of Credit Men, New York City; Charles H. Watts, President, Beneficial Industrial Loan Corporation, Newark, N. J.; and Dr. Rex Harlow, President, American Council on Public Relations.

Mr. Park J. Ewart, Head of the Department of Finance of the University of Southern California, is Chairman of the Conference Committee. Publicity and program arrangements were made by R. D. Roberts, Division Credit Manager, Union Oil Co. of California, Los Angeles. The meetings will be open to the general public.

W. H. Keplinger in the Navy

Another of our members serving in the United States Navy is Lieutenant W. H. Keplinger who was formerly Credit Manager of the Goodrich Rubber Company, Akron, Ohio. He is now attached to the Naval Training School, Radio Material, Treasure Island, San Francisco, California.

Help Wanted

MAN OR WOMAN CREDIT MANAGER: Ability to organize, supervise and pass on credits, in retail store handling 7500 accounts. Must be thoroughly familiar with Regulation W and its operation of both charge and installment credit. Write full details to Hellums Furniture Company, 221 N. Main, Wichita, Kansas.

Position Wanted

OFFICE AND CREDIT MANAGER: Age 56, American; 30 years' experience—controller, credits, personnel, large clothing and department stores. References. Go anywhere. Address Box 111, CREDIT WORLD.

ledgers. In such stores they do not make up a statement for a customer, unless the customer makes a purchase during the month, or unless there is some balance due from a prior month.

It would be a simple matter for this store to separate the authorization records from the bookkeeping records, because they now use pencil notations for each authorization, and depend on the balance in the account and subsequent pencil notations to give them the new balance for credit purposes. If they will use the pencil notations to cover only mail and telephone orders and sales made to customers when they have forgotten their credit cards, and will adopt a "Unit-balance Card," they will have separated their authorization records from their bookkeeping records, and will find they have materially decreased their authorization expense, as well as the expense of keeping their ledgers up to date every day.

Store B

This store uses the Unit method of keeping customers' accounts, and it should not be difficult to comply with Regulation W, if the procedure outlined is followed. While the authorization records of this store are entirely dependent upon its bookkeeping records, it would be very easy to correct its method, because the principles involved are so similar to those used by "F" and "G." In other words, a store using the Unit system, to freeze and cure accounts and still have less overhead than it now has, has only to change its authorization methods, including the conversion of the historical collection file into a "three section master ledger card" file, to be used as explained by Mr. "G."

Stores C, F, & G

Illustration "C" refers to a store similar to store "B," except that the dual method of recording its customers' accounts is used. It is of particular interest to note that this store uses the first 10 days of each month to analyze its accounts and prepare a list of accounts that may become frozen on the 10th of the month, and that they stamp remittance stubs covering balances of a prior month and keep them in a separate group so that they can be used as a source of marking the list of frozen accounts to indicate payments received thereon. Stores "F" and "G" are basically the same as store "C," and store "F" differs from store "G" fundamentally only in that one uses ledger binders and the other uses tub files. The authorization files of store "C" are entirely dependent upon the bookkeeping records, whereas in stores "F" and "G" the authorization files are entirely independent of the bookkeeping records.

Store D

This illustration was included to show the use of an ordinary credit card. In this store the authorization files would be entirely independent of the bookkeeping records, if they made "charge sales" only upon presentation of the credit card. This of course is impracticable, and therefore the expense of keeping the bookkeeping records up to date every day has not been eliminated. Then, too, a credit card that permits a customer to make

an unlimited number of purchases makes it at least desirable to keep the bookkeeping records up to date, for when a customer has overpurchased (as he can do very easily) or when his purchases have reached the maximum beyond which the store does not care to go, a stop order should be issued, and this is not possible if the bookkeeping record of the customer's account is not right up to date.

Store E

This illustration was included to show the most efficient method of freezing and curing accounts, when a store does not wish to use a credit card. The authorization records of store "E" are entirely dependent upon the bookkeeping records.

Store H

This in my opinion is the perfect system for a department store (cycling may be the one exception), because it combines the advantages of both the dual and unit systems, and has none of the disadvantages of either.

Some of the more interesting points about this system are:

A remittance stub is always earmarked, if a statement contains a balance from a prior month.

The cash remittance section of the two-section customer's statement always shows a separate figure for any balance that may be due from a prior month, and, therefore, it is never necessary to mark either the statement or the master ledger sheet to indicate that the account is frozen or cured.

The duplicate of a customer's statement for the current month can be used during the following month, as a medium of authorizing mail and telephone orders and charge sales made without presentation of the "Unit-balance" card. If used in this way, the duplicate would be printed to contain a "supplement ledger section."

The "frozen accounts" file is a perfect medium for distinguishing defaulted accounts from current accounts, and for replacing defaulted accounts among the current accounts when they have been cured; the "Unit-balance" cards remaining in the "frozen accounts" file providing an automatic notice to the credit department of every account that has defaulted and the length of time that it has been in default.

The authorization records are entirely independent of the bookkeeping records.

At the time the customer's credit for the ensuing month is predetermined, the credit man is in the possession of all the facts and he always has ample time to make an intelligent decision.

Store I

It is my opinion that cycling will keep both personnel and other expenses to the minimum at all times, and that the efficiency of cycling will be more pronounced if modern bookkeeping machines become unavailable because of the emergency.

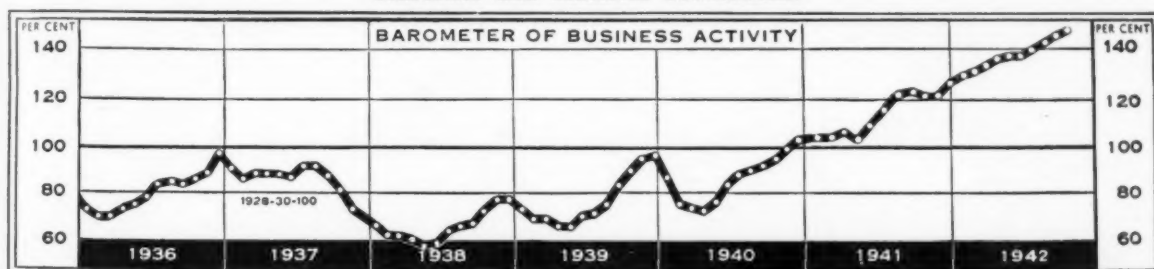
I have not referred in any great detail to the necessity for two or more credit cards for the same account, because this problem can be solved in several ways, and each store will probably have its own idea as to which is best.

Reading this magazine carefully and regularly will contribute to your success as a Credit Executive

CURRENT BUSINESS CONDITIONS

The Barometer

Further enlargement of the war production program continued through September despite labor scarcities and material bottlenecks.



This barometer appears in the November issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

The rate of activity in industry and trade remains high and in many sections of the country is rising more rapidly than it usually does during the fall months. The total volume of business transactions is about 12 per cent higher than it was a year ago. In only a few districts is trade lower than it was last year, while in many others it is from 15 to 20 per cent higher. The upward trend is expected to continue.

The most striking change now is the relatively greater expansion outside the major industrial regions. Part of this difference is due to the fact that many industries in these regions had already reached a very high rate a year ago. Therefore, they could not be expected to continue to expand as rapidly as in those territories where many new munitions plants were being constructed and where government spending was coming to constitute a larger percentage of total business.

These unusual gains are most evident in the South and in parts of the Middle West. The location of military camps and

the spending in connection with them have been significant factors throughout these regions.

Trading is holding up fairly well in the New England states, although the percentage of cities which report business below a year ago is somewhat larger than in other parts of the country. The opposite condition prevails throughout the Southern States.

Higher farm income as well as government spending for war have boosted business in the Middle West and in the Southwest.

Trade and industry in the Pacific Coast states have increased at about the same rate as in the East. In both the major war industries of these states, airplane manufacturing and shipbuilding, expansion continues to be unusually rapid. Pay rolls are larger and consumer purchasing power is keeping retail sales considerably above the high level of a year ago.

Expansion of industry and trade in Canada has raised the volume of business transactions about 10 per cent higher than it was a year ago.



COMMENTS

By the Editor

We're Counting On YOU!

YOUR ASSOCIATION, now in its thirty-first year, has, with few exceptions, shown a growth in membership each year. The twelve months ended May 31, 1942, was the first year in the past nine that a gain in membership was not shown. This loss of 143 members out of a total of approximately 17,000, while very small, was nevertheless disappointing.

To effectively serve the membership and to carry out our educational and legislative programs, we must continue to show progress in accomplishments and in the acquisition of new members. Many firms have discontinued business and in the finance field many branch offices have been closed, with the result that we have had an abnormal number of cancellations.

There are cities in which local associations can be organized as units of the National Retail Credit Association, and others in which local groups should be affiliated with us. Every retail credit granter should keep informed regarding credit conditions and the many problems with which he is now confronted. This can be done by reading *The CREDIT WORLD* and by taking advantage of the facilities of our Research Division.

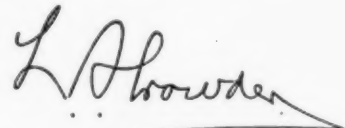
Our Washington Representative, in close cooperation with our Legislative Committee, is constantly working in the interest of our members on legislation affecting retail credit.

The National Office has rendered valuable assistance to thousands of members in connection with Regulation W and this worth-while service will be continued for the life of the regulation.

Will you enlist now and join with other Association leaders in a drive for new members, so that at the close of our year, May 31, 1943, we will show a substantial gain in membership? *It's your Association, and its success depends on you.* Your cooperation will be appreciated by your officers and directors and your efforts will pay dividends.

Copy of booklet *Value of Retail Credit Associations—How to Organize and Conduct Them* will be mailed upon request. Membership committees will be appointed and prizes awarded, based on the year's results, as in the past.

May we count on your assistance—Now?



General Manager-Treasurer



